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ABSTRACT

Private higher education is an important part of the American higher educational system. Despite its acknowledged achievements, the private sector is widely believed to be in serious jeopardy. The present study is intended to provide regular annual reports on trends and the financial and educational conditions of the private sector for the entire United States. Issues covered are: (1) student enrollment, admissions and attrition; (2) faculty and staff ratios and administration; (3) program change; (4) college environment in relation to the public sector, private institutions, government, fund-raising, and student attitudes; (5) operating revenues and expenditures; (6) assets, liabilities, and net worth; and (7) student housing and dining. Appendices include: (1) comparative trends for private and public higher education; (2) mortality among private and public higher education; (2) mortality among private colleges; and (3) the comparative performance indicator. This study does not confirm the frequently asserted opinion that most private colleges and universities are essentially defunct and on their way to oblivion. Neither does it confirm the proposition that they are enjoying prosperity. The truth lies somewhere between these extremes. (Author/KE)

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PRIVATE HIGHER EDUCATION

First Annual Report
on
Financial and Educational Trends in the Private
Sector of American Higher Education

1975

by

HOWARD R. BOWEN and W. JOHN MINTER

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ASSOCIATION OF AMERICAN COLLEGES

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ASSOCIATION OF AMERICAN COLLEGES
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Washington, D. C. 20009

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FOREWORD

A number of recent studies and reports, including that of the National Commission on Financing Postsecondary Education, allude to both the importance and the difficulty of obtaining reliable data on the state of health of the independent sector of higher education. Statistical information, as available, tends to be inconsistent and untimely when it reaches the analysts in the field or, more importantly, those for whom the data are critical for policy formulation. Further, it frequently describes only a particular moment in academic history and, in the absence of regular follow-up, fails to provide an effective instrument for measuring change or defining trends. Thus informed diagnosis and prescription are difficult if not impossible.

In its concern over this situation the Association of American Colleges, whose membership includes a significant number of the nation's independent colleges and universities, welcomed the initiative of Dr. Howard R. Bowen in designing a program of timely data collection and objective analysis of a sufficient number of institutions to yield meaningful results. The sample of 100 colleges and universities in this survey is, to be sure, not the universe of private higher education, but it does form a base for valid projection. Further, the various measures of institutional health incorporated into the study are sufficient, qualitatively as well as quantitatively, to present a comprehensive and, we believe, reliable evaluation of the condition of the private sector.

We are grateful to Dr. Bowen and his associate, Dr. W. John Minter, for this initial report and their willingness to continue this much-needed program; to the Advisory Committee for their expert input; to the participating colleges and universities for cooperating so generously with this effort; and, especially, to the Lilly Endowment whose encouragement and support have made this first report a reality and have assured the continuance of what will, we believe, be an important tool for the shapers of educational policy.

Frederic W. Ness, President
Association of American Colleges

PREFACE

This study is intended as the first of an annual series of reports on financial and educational trends in the private sector of American higher education. The purpose is to monitor the progress of private colleges and universities regularly and to provide reliable and timely information for the use of government officials, educators, donors, students, faculty, and other persons or groups interested in private higher education. This project is sponsored by the Association of American Colleges and financed by a grant from the Lilly Endowment, Inc.

The initial report presented here covers the five-year period 1969-70 through 1973-74, and some data are available for 1974-75 as well. In the future, it is expected that the statistical series will be updated each year and annual reports on current developments in the private sector will be produced. The second annual report is scheduled to be released about April 1, 1976, and successive reports on or about April 1 of each year thereafter.

The study is based on a stratified sample of 100 accredited four-year institutions representing a universe of 866 institutions. All parts of the four-year private sector are represented except major research universities and autonomous professional schools (such as theological seminaries and music conservatories).

Many persons have contributed to the study and deserve grateful acknowledgment. First and foremost, the participating institutions have been superbly cooperative in supplying the basic data. The exceptionally high rate of response is gratifying and greatly appreciated. Frederic W. Ness, President of the Association of American Colleges, Elden T. Smith, Executive Director of the National Association of Independent Colleges and Universities, and James B. Holderman and Landrum Bolling of the Lilly Endowment have all been supportive and helpful in many ways. Special recognition is due our two colleagues, Mrs. Margaret Winter and Mrs. Dorothy Pearson, and Mr. Dale Davis, Mr. James Murdock, and Mrs. Cathy Conger, whose guidance and assistance in the analysis of financial statements was indispensable. The assistance of the National Association of College and University Business Officers and the Association of College and University Housing Officers is also gratefully acknowledged.

The study was designed and executed in consultation with an Advisory Committee whose suggestions and criticisms were extraordinarily helpful. The members of this Committee are:

Earl F. Cheit, University of California, Berkeley
John W. Gillis, Association of American Colleges
and Chapman College
Peggy Heim, Carnegie Council on Policy Studies
in Higher Education
Hans H. Jenny, College of Wooster
Lyle H. Lanier, American Council on Education
Frederic W. Ness, Association of American Colleges
Morgan Odell, Association of Independent California
Colleges and Universities
Sidney A. Rand, St. Olaf College
William A. Shoemaker, Council for the Advancement
of Small Colleges

Having made these acknowledgments, the full responsibility for the report rests with the undersigned.

Howard R. Bowen

W. John Minter

TABLE OF CONTENTS

Page

FOREWORD by Frederic W. Ness. ii

PREFACE iii

LIST OF TABLES. vii

Chapter

I INTRODUCTION. 1

Precursors. 2
Scope and Method. 4
List of Participating Institutions. 6

II STUDENTS. 8

Enrollment. 8
Admissions. 13
Attrition 15
Conclusions 19

III FACULTY AND STAFF 21

Faculty: Numbers, Compensation, Student-Faculty Ratio, and Status 21
Administrative and Non-Academic Staff: Numbers and Compensation. 22
Conclusions 25

IV PROGRAM 28

Change in Program Content 28
Program Quality as Judged by the Presidents and Chief Academic Officers 32
Conclusions 35

V ENVIRONMENT 36

Competition of the Public Sector. 36
Competition from Private Institutions 38
Government. 38
The Climate for Fund-Raising from Private Sources 42
Student Attitudes and Behavior. 43
Conclusions 44

Chapter Page

VI THE CURRENT FUND: OPERATING REVENUES AND EXPENDITURES. 45

Revenues. 45
Expenditures. 47
Patterns of Revenues and Expenditures 53
Surpluses and Deficits. 53
Student Aid 56
Predominantly Negro Colleges. 57
Conclusions 57

VII THE BALANCE SHEET: ASSETS, LIABILITIES AND NET WORTH 59

Five-Year Changes 59
Percentage Distributions. 61
Selected Financial Ratios 61
Conclusions 68

VIII STUDENT HOUSING AND DINING. 69

IX INSTITUTIONAL DISTRESS. 71

X SUMMARY AND CONCLUSIONS 74

The Principal Findings. 74
Interpretation. 78

APPENDICES

A COMPARATIVE TRENDS FOR PRIVATE AND PUBLIC HIGHER EDUCATION. 80

B MORTALITY AMONG PRIVATE COLLEGES. 100

C THE COMPARATIVE PERFORMANCE INDICATOR 103

LIST OF TABLES

Number — Page

1 OPENING FALL ENROLLMENT, FULL-TIME EQUIVALENTS, 1969-1974 9

2 PERCENTAGE DISTRIBUTION BY FULL-TIME EQUIVALENT ENROLLMENTS BY CLASSIFICATION OF STUDENTS AND TYPE OF INSTITUTION, 1969-70 AND 1974-75. 10

3 CHANGES IN STUDENT "MIX": NUMBER OF INSTITUTIONS REPORTING CHANGES IN RELATIVE NUMBERS OF STUDENTS IN VARIOUS CATEGORIES, BY TYPE OF INSTITUTION, 1972-73 THROUGH 1974-75. 11

4 SHORTFALL IN 1974-75 ENROLLMENT (FULL-TIME EQUIVALENT) 12

5 INSTITUTIONAL PROJECTIONS OF TOTAL ENROLLMENT (FULL-TIME EQUIVALENT) BY TYPE OF INSTITUTION, 1975-76 AND 1976-77. 13

6 EXPERIENCE OF PRIVATE COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF STUDENTS, 1969-70 THROUGH 1974-75. 14

7 EXPERIENCE OF PRIVATE COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF STUDENTS BY TYPE OF INSTITUTION, 1969-70 THROUGH 1974-75. . 16

8 SCHOLASTIC APTITUDE TEST (SAT) SCORES AND RANK IN HIGH SCHOOL CLASSES, ENTERING FRESHMEN, BY TYPE OF INSTITUTION, 1969-70 AND 1974-75 17

9 CHANGES IN THE SIZE OF THE ADMISSIONS STAFF, BY TYPE OF INSTITUTION, 1969-70 TO 1974-75. 18

10 CHANGES IN NUMBER AND COMPENSATION OF FACULTY, AND IN STUDENT-FACULTY RATIO, 1969-70 TO 1974-75 . 21

11 DATA RELATING TO THE STATUS OF FACULTY, BY TYPE OF INSTITUTION, 1974-75. 23

12 CHANGES IN NUMBER OF FULL-TIME NON-ACADEMIC EMPLOYEES, 1969-70 THROUGH 1974-75 24

13 NUMBER OF INSTITUTIONS REPORTING VARIOUS PERCENTAGE INCREASES IN WAGES AND SALARIES, ADMINISTRATIVE AND NON-ACADEMIC STAFF, AUTUMN 1973 TO AUTUMN 1975 26

14 NUMBER OF INSTITUTIONS REPORTING CHANGES IN PROGRAM 1973-74 THROUGH 1974-75. 29

Number Page

15 ASSESSMENTS BY THE PRESIDENTS OF RECENT TRENDS IN THE CONDITION OF THEIR INSTITUTIONS. 32

16 RESPONSES OF PRESIDENTS TO THE QUESTION: HOW DO YOU VIEW THE OUTLOOK FOR YOUR INSTITUTION OVER THE NEXT FIVE YEARS? 33

17 ASSESSMENTS BY CHIEF ACADEMIC OFFICERS OF RECENT TRENDS IN THE CONDITION OF THEIR INSTITUTIONS 34

18 NUMBER OF PRESIDENTS OF PRIVATE COLLEGES AND UNIVERSITIES REPORTING THE EFFECTS OF VARIOUS CHANGES IN THE ACTIVITIES AND PROGRAMS OF PUBLIC INSTITUTIONS UPON THE COMPETITIVE POSITION OF THEIR INSTITUTIONS, 1971-72 TO 1974-75 37

19 NUMBER OF PRESIDENTS OF PRIVATE COLLEGES AND UNIVERSITIES REPORTING THE EFFECTS OF CHANGES IN THE ACTIVITIES AND PROGRAMS OF OTHER PRIVATE INSTITUTIONS UPON THE COMPETITIVE POSITION OF THEIR INSTITUTIONS, 1971-72 TO 1974-75 39

20 ATTITUDES OF OPINION LEADERS IN 32 STATES TOWARD PRIVATE HIGHER EDUCATION AS JUDGED BY EXECUTIVE DIRECTORS OF STATE ASSOCIATIONS OF PRIVATE COLLEGES AND UNIVERSITIES, 1975. 40

21 RESPONSES OF PRESIDENTS OF PRIVATE COLLEGES AND UNIVERSITIES ON CHANGES IN THE GENERAL CLIMATE FOR FUND-RAISING FROM PRIVATE SOURCES OVER THE PAST THREE TO FIVE YEARS 43

22 CHANGES IN CURRENT REVENUES AND EXPENDITURES, FOUR TYPES OF INSTITUTIONS COMBINED, 1970-71 THROUGH 1973-74. 46

23 CHANGES IN CURRENT REVENUES AND EXPENDITURES, DOCTORAL-GRANTING UNIVERSITIES, 1970-71 THROUGH 1973-74. 48

24 CHANGES IN CURRENT REVENUES AND EXPENDITURES, COMPREHENSIVE UNIVERSITIES AND COLLEGES, 1970-71 THROUGH 1973-74. 49

25 CHANGES IN CURRENT REVENUES AND EXPENDITURES, LIBERAL ARTS COLLEGES I, 1970-71 THROUGH 1973-74 . 50

26 CHANGES IN CURRENT REVENUES AND EXPENDITURES, LIBERAL ARTS COLLEGES II, 1970-71 THROUGH 1973-74. 51

27 EDUCATIONAL AND GENERAL REVENUES PER STUDENT, 1970-71 THROUGH 1973-74. 52

28 PERCENTAGE DISTRIBUTIONS OF CURRENT REVENUES AND EXPENDITURES FOR EDUCATIONAL AND GENERAL PURPOSES, 1970-71 AND 1973-74. 54

Number Page

29 CONSOLIDATED CURRENT FUND SURPLUS (+) OR DEFICIT (-) AS PERCENTAGE OF TOTAL CURRENT FUND EXPENDITURES, 1970-71 THROUGH 1973-74. 56

30 STUDENT AID REVENUE AS PERCENTAGE OF STUDENT AID EXPENDITURES, 1970-71 THROUGH 1973-74. 56

31 CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, FOUR TYPES OF INSTITUTIONS COMBINED, END OF FISCAL YEARS 1970 TO 1974. 60

32 CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, DOCTORAL-GRANTING UNIVERSITIES, END OF FISCAL YEARS 1970 TO 1974 62

33 CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, COMPREHENSIVE UNIVERSITIES AND COLLEGES, END OF FISCAL YEARS 1970 TO 1974. 63

34 CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, LIBERAL ARTS COLLEGES I, END OF FISCAL YEARS 1970 TO 1974 64

35 CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, LIBERAL ARTS COLLEGES II, END OF FISCAL YEARS 1970 TO 1974 65

36 PERCENTAGE DISTRIBUTIONS OF ASSETS, LIABILITIES, AND FUND BALANCES, BY TYPE OF INSTITUTION, END OF FISCAL YEARS 1970 AND 1974 66

37 SELECTED RATIOS OF ASSETS TO LIABILITIES, BY TYPE OF INSTITUTION, END OF FISCAL YEARS 1970 TO 1974 . 67

38 OCCUPANCY RATES IN INSTITUTION-OWNED HOUSING, PUBLIC AND PRIVATE INSTITUTIONS, 1969 TO 1974 69

39 OCCUPANCY RATES OF INSTITUTION-OWNED STUDENT HOUSING BASED ON REPORTS FROM SAMPLE OF 100 PRIVATE INSTITUTIONS, BY TYPE OF INSTITUTION, 1969 TO 1974. . . 70

40 ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION, UNITED STATES, 1900 TO 1974. 82

41 ENROLLMENT IN PRIVATE COLLEGES AND UNIVERSITIES AS A PERCENTAGE OF TOTAL ENROLLMENTS, UNITED STATES, 1900 TO 1974 83

42 EARNED DEGREES AWARDED BY PRIVATE COLLEGES AS PERCENTAGES OF ALL EARNED DEGREES AWARDED, 1947-48 THROUGH 1971-72. 83

43 POPULATION OF AGES 15 TO 24, 1950-2000 84

44 UNDERGRADUATE STUDENTS, BY FAMILY INCOME CLASS, AND TYPE OF INSTITUTION, 1972-73 85

45 PERCENTAGE DISTRIBUTIONS OF REVENUES FOR EDUCATIONAL PURPOSES BY SOURCES, PRIVATE AND PUBLIC INSTITUTIONS OF HIGHER EDUCATION, 1929-30 TO 1970-71. . . 86

Number Page

46 ANNUAL CHARGES FOR UNDERGRADUATE STUDENTS, SELECTED GROUPS OF INSTITUTIONS, 1927-28 THROUGH 1974-75 88

47 ANNUAL STUDENT CHARGES FOR UNDERGRADUATE STUDENTS, BY TYPE OF INSTITUTION, 1957-58 THROUGH 1974-75 . 89

48 STUDENT CHARGES AS PERCENTAGES OF PER CAPITA DISPOSABLE INCOME, BY TYPE OF INSTITUTION, 1927-28 THROUGH 1974-75 90

49 ENDOWMENT FUNDS OF COLLEGES AND UNIVERSITIES. . . . 91

50 PRIVATE GIFTS TO HIGHER EDUCATION, 1962-63 THROUGH 1973-74 91

51 AMOUNT AND PERCENTAGE DISTRIBUTION OF EDUCATIONAL EXPENDITURES, PRIVATE AND PUBLIC COLLEGES AND UNIVERSITIES, 1971-72 93

52 PERCENTAGE DISTRIBUTION OF EDUCATIONAL AND GENERAL EXPENDITURES, BY TYPE OF INSTITUTION, 1974-75 . . 94

53 INSTRUCTIONAL COST PER CREDIT HOUR, BY TYPE OF INSTITUTION, 1953-54 THROUGH 1966-67. 96

54 AVERAGE ENROLLMENTS OF PUBLIC AND PRIVATE INSTITUTIONS, BY TYPE OF INSTITUTION, 1970 96

55 AVERAGE FACULTY COMPENSATION (INCLUDING SALARIES AND FRINGE BENEFITS), BY TYPE OF INSTITUTION, 1973-74 AND 1974-75 97

56 MEDIAN ADMINISTRATIVE SALARIES, PRIVATE AND PUBLIC INSTITUTIONS, 1967-68 THROUGH 1973-74 98

57 PERCENTAGE CHANGES IN FACULTY COMPENSATION, ALL ACADEMIC RANKS, BY TYPE OF INSTITUTION, 1969-70 THROUGH 1974-75 99

58 FOUR-YEAR PRIVATE COLLEGES WHICH HAVE CLOSED, MERGED, OR BECOME PUBLIC, 1970-75 102

59 COMPARATIVE PERFORMANCE INDICATOR, TOTAL CURRENT FUND REVENUES, 1974 106

60 COMPARATIVE PERFORMANCE, TOTAL CURRENT FUNDS REVENUE PROGRESS, 1971 TO 1974. 107

61 COMPARATIVE PERFORMANCE INDICATOR, THREE SELECTED MEASURES OF INSTITUTIONAL CHARACTERISTICS 108

62 COMPOSITE COMPARATIVE PERFORMANCE INDICATOR, FIVE WEIGHTED FACTORS 109

63 COMPOSITE PERFORMANCE INDICATOR, RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES, AND RATIO OF TOTAL ASSETS TO TOTAL LIABILITIES, 1971 TO 1974 110

CHAPTER I

INTRODUCTION

Private higher education[1] is an important--even indispensable--part of the American higher educational system. It adds diversity, it offers competition to an otherwise all-embracing public system, it provides a center of academic freedom removed from political influence, it is deeply committed to liberal learning, it is concerned for human scale and individual personality, it sets standards, it provides educational leadership, and it saves money for taxpayers. Not every private college or university achieves all of these results, but enough institutions do achieve some of them to make survival of a strong private sector a major goal in the broad public interest.[2]

Despite its acknowledged achievements, the private sector is widely believed to be in serious jeopardy. There are many reports that it faces increasing competition from hundreds of new public institutions; that it has had to raise tuitions substantially year after year so that the tuition gap between private and public institutions has widened; that its income from gifts and endowments has not kept pace with rising costs; and that the pool of available students is contracting. It is often asserted that these circumstances threaten to destroy some private colleges and universities, to drive some into the public sector, and to weaken most.

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[1] Use of the terms "private" and "public" to describe the two sectors of higher education is not wholly satisfactory. The so-called private institutions are public in the sense that they serve a public purpose and receive some of their funds from public sources; the so-called public institutions are private in the sense that they usually have a semi-autonomous status that separates them from government and they usually receive some funds from private sources. Some advocate use of the word "independent" to distinguish so-called private colleges and universities from public institutions. This term is not wholly satisfactory because private colleges are no more independent of their sources of support than are public institutions from theirs. The essential difference between the two sectors is that in one the institutions are privately sponsored and in the other they are publicly sponsored. We have chosen to use the "private" and "public" because they are brief and clear, and they represent common usage.

[2] For a brief presentation of the case for private higher education, see National Council of Independent Colleges and Universities,

Given the social importance and vulnerability of the private sector, it has become an object of deep concern not only for its private donors and sponsors but also for state and federal governments. Many states have acted on behalf of the private colleges and universities within their borders and the Federal Government is showing increasing interest. Also, many of the private institutions have themselves taken steps to strengthen their position through improved management, budgetary adjustments, and application of increased effort. Nevertheless, the concern remains. Under these conditions, it is a matter of considerable importance to have reliable and up-to-date information about the private sector to formulate appropriate and timely private and public policy.

Some of the opinion and information about the condition of the private sector is derived from evidence that is circumstantial, incomplete, or out-dated. It is often based on news stories about the deficits or program cut-backs or bankruptcy of particular institutions. It is sometimes based on conjectures as to what may happen in the future rather than on actual circumstances and trends of the present. And it is sometimes based on studies conducted several years ago which are no longer applicable in a rapidly changing environment.

The present study is intended to provide regular annual reports on trends in the financial and educational conditions of the private sector for the entire United States. It is planned and anticipated that the information reported will be detailed, reliable, and timely so that up-to-date knowledge on the progress of the private sector will be available on a regular annual basis. The present report is conceived as the first of an annual series. It relates primarily to the five-year period 1969-1970 through 1973-1974 though a considerable amount of information is available for 1974-1975. The next report, which is expected to be released by April 1, 1976, will provide data for 1974-1975 with supplemental information for 1975-1976. Thereafter, annual reports for each successive academic year are planned for release on or about the following April 1.

Precursors

This study builds upon several informative and widely publicized studies which over the past several years have provided indispensable information about the condition of private higher education and contributed to the methodology of institutional analysis. Among these studies are:

A National Policy for Private Higher Education (Washington: Association of American Colleges, 1974), pp. 9-13. In pointing out the special contributions of the private sector, it should be noted that the private sector has no monopoly on virtue or excellence. The public sector is also "an important--even indispensable--part of the American higher educational system." The total system is enhanced by its duality.

Hans H. Jenny and G. Richard Wynn, The Golden Years: A Study of Income and Expenditure Growth and Distribution of 48 Private Four-year Liberal Arts Colleges, 1960-1968 (Wooster, Ohio: The Ford Foundation and The College of Wooster, 1970).

Earl F. Cheit, The New Depression in Higher Education (New York: McGraw-Hill, 1971).

William W. Jellema, The Red and the Black (Washington: Association of American Colleges, 1971).

Hans H. Jenny and G. Richard Wynn, The Turning Point: A Study of Income and Expenditure Growth and Distribution of 48 Private Four-year Liberal Arts Colleges, 1960-1970 (Wooster, Ohio: The College of Wooster, 1972).

Paul C. Reinert, To Turn the Tide (Englewood Cliffs, N. J.: Prentice-Hall, 1972).

Earl F. Cheit, The New Depression in Higher Education--Two Years Later (New York: McGraw-Hill, 1973).

William W. Jellema, From Red to Black? (San Francisco: Jossey-Bass Publishers, 1973).

G. Richard Wynn, At the Crossroads: A Report on the Financial Condition of Forty-eight Liberal Arts Colleges Previously Studied (Ann Arbor: Center for the Study of Higher Education, University of Michigan, 1974).

Carol Van Alstyne, An Economist Looks at Low Tuition, unpublished paper, American Council on Education (Washington: February 14, 1974), pp. 6, 8.

National Commission on the Financing of Postsecondary Education, Financing Postsecondary Education in the United States (Washington: U.S. Government Printing Office, 1974), pp. 185-226, 415-419.

Association of Independent California Colleges and Universities, Measures of California Independent College and University Financial Condition (Los Angeles: July 1975).

Iowa Association of Private Colleges and Universities, Enrollment and Financial Statistics (Des Moines: July 1975).

Scope and Method

The present study was limited to accredited, private, non-profit, four-year institutions of higher education of the following types (as defined by the Carnegie Commission on Higher Education):[1]

1. Doctoral-granting Universities I (awarded 40 or more Ph.D.s in 1969-70 or received at least $3 millions in federal funds) and

   Doctoral-granting Universities II (awarded at least 10 Ph.D.s in 1969-70).

2. Comprehensive Universities and Colleges I (enrolled more than 2,000 students and offered a liberal arts program and at least two professional programs) and

   Comprehensive Universities and Colleges II (enrolled more than 1,500 students and offered a liberal arts program and at least one professional program).

3. Liberal Arts Colleges I (selective in admissions standards or among leading institutions in number of graduates later receiving Ph.D.s).

4. Liberal Arts Colleges II.

These four types include 866 institutions serving about 1,469,000 students in 1969-70. They represent 65 percent of the institutions and 73 percent of the enrollment in the private sector.

The excluded types of institutions are major research universities, two-year colleges, and specialized professional schools (such as music conservatories and theological seminaries). These were not included because each involves special issues and problems requiring detailed study beyond the limits of available resources. We hope in a future year to widen the coverage to include additional types of institutions.

The study was based on a sample of 100 institutions representing 11.5 percent of the 866 institutions in the population. The sample was drawn to insure representation of the several types of institutions, of four broad regions of the country, and of institutions of various sizes as measured by enrollment.[2] The participating institutions are listed at the end of this chapter.

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[1] A Classification of Institutions of Higher Education (Berkeley: Carnegie Commission on Higher Education, 1973).

[2] An alternate for each sample institution was also drawn. For the few institutions which declined to participate, the alternate institutions were included.

Once the sample had been selected, the participating institutions were asked to submit copies of the following documents:

Higher Education General Information Survey (HEGIS)
Salary information as submitted to AAUP
Audited financial statement
Annual budget
Annual report of president
Catalog
Voluntary support survey

In addition, each was asked to fill out a six-part questionnaire, one part each to be filled out by the director of admissions, chief student aid officer, chief academic officer, housing director, chief financial officer, and president or chancellor.

The study was based primarily on the tabulation and analysis of these documents. As would be expected, the rate of response varied for different documents and different questions. For some items, particularly financial and enrollment data, the response was almost perfect. For some other items, the response was as low as 70 percent. On the whole, however, the response was excellent and in our judgment, the data reliable.

In the analysis of the data, emphasis was given to indicators reflecting changes over time in the condition of the private sector. The basic question to be answered was: In what ways are the private colleges and universities gaining ground, holding their own, or losing ground? The analysis was in three parts: (1) consolidated trends for all institutions, (2) comparative trends for different types of institutions, and (3) estimates of the overall condition of each institution included in the sample.

In deriving estimates for the entire population of institutions under study, the data for the four types of institutions were weighted on the basis of 1969-70 enrollments.

The data derived from the sample for any given type of institution were weighted to produce estimates of comparable data for all institutions of that type. The weights used were enrollments in 1969-70. Thus, if total enrollment in the sample institutions of Liberal Arts Colleges II were 1,000,000 and if total enrollment of all institutions of that type were 10,000,000, any datum derived from the sample (for example, total expenditures), would be multiplied by 10 to produce an estimate for all Liberal Arts II institutions.

The data are frequently expressed as index numbers usually with the year 1969-70 as the base. An index number simply expresses the percentage relationship between a datum for a given year and the corresponding datum for the base year. For example, if total expenditures of Liberal Arts Colleges II in 1969-70 were $10 million and in 1974-75 were $15 million, the index numbers would be 100 for 1969-70 and 150 for

1974-75. On the basis of these numbers, one could say that expenditures had increased 50 percent over the period from 1969-70 to 1974-75.

LIST OF PARTICIPATING INSTITUTIONS

Doctoral-Granting Universities

Adelphi University
Dartmouth College
University of Denver
Drexel University
Georgetown University
Marquette University
University of Notre Dame
University of the Pacific
Southern Methodist University
University of Tulsa

Comprehensive Universities and Colleges

Abilene Christian College
University of Albuquerque
Baldwin-Wallace College
Capital University
University of Dayton
Drake University
Elmira College
Fairleigh-Dickinson University
Geneva College
Gonzaga University
Iona College
Lafayette College
Long Island University
Merrimack College
Oklahoma Baptist University
Ouachita Baptist University
Pacific Lutheran University
University of Puget Sound
Roger Williams College
Russell Sage College
St. Lawrence University
St. Norbert College
University of Santa Clara
Seton Hall University
Simmons College
Suffolk University
Texas Wesleyan College
Trinity University
Tri-State College
Union College
Valparaiso University
Villanova University

Liberal Arts Colleges I

Allegheny College
Augustana College
Carleton College
Colorado College
Davidson College
Hamilton College
Kalamazoo College
Kenyon College
Macalester College
Mt. Holyoke College
College of New Rochelle
Oberlin College
Randolph Macon Woman's College
Reed College
Ripon College
Rosemont College
St. Olaf College
Salem College
Washington and Lee University
Wells College
Westminster College
Wheaton College
Whitman College
Williams College

Liberal Arts Colleges II

- Belmont Abbey College
- Bennett College
- Berry College
- Bethel College
- Bryan College
- Campbell College
- Clark College
- Curry College
- Dominican College of Blauvelt
- Elmhurst College
- Fisk University
- George Fox College
- Lane College
- Marian College of Fond du Lac
- Milligan College
- Millsaps College
- Mississippi Industrial College
- North Central College
- Northwestern College
- Oglethorpe College
- Paine College
- Presbyterian College
- Regis College
- Rivier College
- Rust College
- St. Paul's College
- Shaw University
- Stephens College
- Talladega College
- Tarkio College
- Unity College
- Upsala College
- Westmont College
- Wilmington College

CHAPTER II

STUDENTS

The capacity to attract and hold qualified students is one of the most significant indicators of the health and welfare of private colleges and universities. Students are the chief reason for the existence of these institutions. If they cannot attract students, they lose their purpose. Moreover, if the effort to attract students becomes too frantic, institutional priorities become distorted. But students also bring with them fees for tuition, board, and room which are a major source of operating income. It is true that student fees do not cover all the costs and that most institutions "lose money" on each student in the sense that some of the support comes from gifts, grants, endowment income, etc. But all institutions are locked into heavy overhead costs for both plant and staff based on historic enrollments. Declining enrollment is a sure road to catastrophic deficits and to institutional stress and strain. When student charges for board, room, and tuition total $3,000 to $6,000 or more, even the loss of ten students has a noticeable impact on the budget. Therefore, in appraising the condition of private institutions, a careful review of changes in the student body and related variables is basic.

Enrollment

Total enrollment in private institutions of the types included in this study gained rapidly from 1969-70 to 1971-72 and held remarkably steady during the four years, 1971-72 to 1974-75 (see table 1). However, the components of this enrollment changed markedly. As shown in table 1, the number of freshmen and sophomores declined slightly, the numbers of juniors and seniors held steady, and the number of graduate and professional students increased substantially. The net of these changes was an 8 percent increase in total enrollment from 1969 to 1974.[1]

One may speculate about the causes of change in the components of the student bodies of the private sector. The growing community colleges may have siphoned off freshmen and sophomores but at the same time may have supplied the private sector with transfer students to fill the junior and senior classes. Moreover, the private institutions may have placed increasing emphasis upon the recruitment of transfer students to offset

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[1] Compare appendix A, table 40, which shows enrollment figures for all four-year private institutions.

TABLE 1

OPENING FALL ENROLLMENT, FULL-TIME EQUIVALENTS, 1969-1974
(Index Numbers: 1970 = 100)

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975
Four Types of Institutions Combined:						
Freshmen and Sophomores	100	103	102	100	98	98
Juniors and Seniors	100	100	103	105	101	101
Sub-total: Undergraduates	100	102	102	102	100	99
Graduate Students	100	111	124	117	130	129
Professional Students	100	107	136	146	156	177
Other[1]	100	108	120	133	143	147
Sub-total: Graduate, Professional and Other	100	109	127	129	140	147
Grand Total: All Students	100	103	107	107	107	108
Doctoral-Granting Universities:						
Freshmen and Sophomores	100	103	98	98	100	96
Juniors and Seniors	100	99	98	103	99	98
Sub-total: Undergraduates	100	102	98	100	99	97
Graduate Students	100	109	115	111	121	116
Professional Students	100	106	125	132	145	158
Other[1]	100	56	96	106	96	177
Sub-total: Graduate, Professional and Other	100	101	116	118	126	139
Grand Total: All Students	100	101	103	105	106	107
Comprehensive Universities and Colleges:						
Freshmen and Sophomores	100	103	104	98	98	97
Juniors and Seniors	100	101	106	106	103	102
Sub-total: Undergraduates	100	103	105	102	100	100
Graduate Students	100	112	135	121	140	147
Professional Students	100	107	164	185	187	230
Other[1]	100	181	182	196	194	148
Sub-total: Graduate, Professional and Other	100	126	152	152	163	167
Grand Total: All Students	100	106	112	110	109	110
Liberal Arts Colleges I:						
Freshmen and Sophomores	100	103	105	107	109	109
Juniors and Seniors	100	101	103	108	110	112
Sub-total: Undergraduates	100	102	104	107	109	110
Graduate, Professional, and Other[2]	100	132	189	232	189	186
Grand Total: All Students	100	103	106	110	111	112
Liberal Arts Colleges II:						
Freshmen and Sophomores	100	103	108	100	91	97
Juniors and Seniors	100	101	106	107	102	102
Sub-total: Undergraduates	100	102	107	103	95	99
Graduate, Professional, and Other[2]	100	71	31	47	139	75
Grand Total: All Students	100	100	103	100	98	97

[1] "Other" includes chiefly part-time, non-degree students.

[2] Because the numbers are relatively small and somewhat erratic, separate data for graduate, professional, and other are not shown.

lagging freshman and sophomore enrollments and to fill junior and senior classes. Also, the growing interest in vocational preparation may have brought about the increase in the numbers of graduate and professional students.

As shown in tables 1 and 2, the enrollment experience of the four types of institutions differed somewhat over the period since 1970. Especially noteworthy was the slow but steady decline in total enrollments of the Liberal Arts Colleges II.

As shown in table 2, the two groups of liberal arts colleges did not participate strongly in the growth of graduate and professional enrollments. These institutions--perhaps because of their predominantly non-urban locations and their non-vocational tradition--may be less well-positioned to take part in the trend toward vocational programs than the Doctoral-Granting Universities and the Comprehensive Universities and Colleges.

TABLE 2

PERCENTAGE DISTRIBUTION OF FULL-TIME EQUIVALENT ENROLLMENTS
BY CLASSIFICATION OF STUDENTS AND TYPE OF INSTITUTION,
1969-70 and 1974-75

	Freshmen and Sophomores	Juniors and Seniors	Graduate	Professional	Other	Total
Four Types of Institutions Combined:						
1969-70	46%	36%	9%	6%	3%	100%
1974-75	42	34	11	9	4	100
Doctoral-Granting Universities:						
1969-70	41	34	13	9	3	100
1974-75	37	31	14	13	5	100
Comprehensive Universities and Colleges:						
1969-70	48	37	8	4	3	100
1974-75	42	35	11	8	4	100
Liberal Arts Colleges I:						
1969-70	55	42	1	1	1	100
1974-75	54	42	1	1	2	100
Liberal Arts Colleges II:						
1969-70	56	39	-	-	5	100
1974-75	56	40	1	-	3	100

Other changes in the composition of the student population also occurred in recent years as indicated in table 3. The institutions reported overwhelmingly that the student "mix" changed since 1972-73 to include more women, more members of minority groups, and more older students--many of the latter in part-time programs.

TABLE 3

CHANGES IN STUDENT "MIX": NUMBER OF INSTITUTIONS REPORTING CHANGES IN RELATIVE NUMBERS OF STUDENTS IN VARIOUS CATEGORIES, BY TYPE OF INSTITUTION, 1972-73 THROUGH 1974-75

		Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions Combined (Unweighted)
Women:	More	6	17	7	10	40
	Same	2	4	13	8	27
	Fewer	1	5	2	7	15
	No Response	1	7	1	9	18
Minorities:	More	7	22	13	13	55
	Same	2	4	5	9	20
	Fewer	0	0	4	3	7
	No Response	1	7	1	9	18
Over 24 years of age; full-time degree students:	More	3	13	9	15	40
	Same	6	12	11	9	38
	Fewer	0	1	2	1	4
	No Response	1	7	1	9	18
Over 24 years of age; part-time degree students:	More	4	16	8	13	41
	Same	5	10	12	11	38
	Fewer	0	0	2	1	3
	No Response	1	7	1	9	18
Part-time non-degree or short-course students:	More	4	12	8	12	36
	Same	5	14	1	10	42
	Fewer	0	0	13	3	4
	No Response	1	7	1	9	18

In the exploration of the enrollment situation, the participating institutions were requested to estimate the shortfall in enrollment, if any, in 1974-75. They were asked: "Would you have preferred to enroll additional students in 1974-75?" More than two-thirds of those responding (53 out of 74) indicated that they would have preferred more students --on the average 7 to 11 percent more (see table 4). The shortfall was greater in the case of the Liberal Arts Colleges II than of the other groups.

TABLE 4

SHORTFALL IN 1974-75 ENROLLMENT (FULL-TIME EQUIVALENT)

	Responses of institutions to question: Would you have preferred to enroll additional students in 1974-75?				For those reporting preference for more students in 1974-75, percentage increase in enrollment that could have been accommodated without significant additions to faculty, housing, classrooms
	Yes	No	No Answer	Total	
Doctoral-Granting Universities	5	3	2	10	7%
Comprehensive Universities and Colleges	14	6	12	32	7
Liberal Arts Colleges I	11	10	3	24	8
Liberal Arts Colleges II	23	2	9	34	11
Unweighted Total	53	21	26	100	n.a.

Finally, the institutions were asked to forecast their enrollment for the next two years, 1975-76 and 1976-77. On the average, they reported an expected increase over 1974-75 of 1 percent in 1975-76 and a planned increase of 5 percent in 1976-77 (see table 5). When asked about their realistic expectations in 1976-77, they reported, on the average, that they expected an increase of 4 percent over the 1974-75 level. Among the four groups of institutions, only the Liberal Arts Colleges I were conservative in their enrollment projections by forecasting no increase in 1975-76 and a 1 percent increase in 1976-77.

TABLE 5

INSTITUTIONAL PROJECTIONS OF TOTAL ENROLLMENT (FULL-TIME EQUIVALENT) BY TYPE OF INSTITUTION, 1975-76 AND 1976-77

(Index Numbers: 1974-75 = 100)

	Actual 1974-75	Expected 1975-76	Planned 1976-77	Realistic Estimate for 1976-77
Four Groups of Institutions Combined	100	101	105	104
Doctoral-Granting Universities	100	102	104	103
Comprehensive Universities and Colleges	100	100	108	107
Liberal Arts Colleges I	100	100	101	101
Liberal Arts Colleges II	100	101	108	106

Admissions

Additional information about the progress of the private sector of higher education was derived from our inquiries into student recruitment and admissions. On the whole this information was consistent with the data on enrollments.

Table 6 shows trends in the recruitment and admission of students over the period 1969-70 to 1974-75. This table reveals a falling off in the number of completed applications for the freshman class and a corresponding decline in number of freshmen admitted. The drop in number of freshman admittees was about 10 percent from 1969-70 to 1974-75. During the same period, however, the number of undergraduate transfer students increased sharply by 34 percent, offsetting much of the decline in freshman admissions. On balance, the combined admissions of freshmen and undergraduate transfer students dropped by only 2 percent over the period from 1969-70 to 1974-75.

As shown in table 6, the number of freshman applicants fell more rapidly than the number offered admission--suggesting that the institutions became somewhat less selective in their admissions during the six-year period. However, the data on test scores and high school rank indicate that there was little if any slippage in selectivity. It is true that the average Scholastic Aptitude Test (SAT) scores declined, but this change was in line with a nationwide decline in these average scores and was not necessarily due to weaker selectivity of the private sector.

TABLE 6

EXPERIENCE OF PRIVATE COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF STUDENTS, 1969-70 THROUGH 1974-75

	Autumn of Each Year					
	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975
1. Number of completed applications received for admission to freshman class.[1]	100	102	98	96	91	91
2. Number of applicants offered admission to the freshman class.[1]	100	102	102	97	95	94
3. Number of full-time equivalent students admitted to the freshman class.[1]	100	98	96	92	90	90
4. Number of full-time equivalent undergraduate transfer students admitted.[1]	100	115	131	134	135	134
5. Number of full-time equivalent undergraduate students, freshman and transfer, admitted.[1]	100	100	101	101	98	98
6. Offers of admission to the freshman class as percentage of completed applications received.	70%	72%	73%	73%	75%	76%
7. Entering freshmen as percentage of admissions offered.	53%	51%	50%	50%	51%	51%
8. Average Scholastic Aptitude Test (SAT) Scores of entering freshmen:[2] Verbal	523	520	514	508	500	495
Mathematics	539	534	532	525	523	518
Combined	1063	1054	1046	1033	1023	1013
9. Percentage of entering freshmen by rank in high school class:						
Top fifth	51%	49%	49%	51%	53%	51%
Second fifth	27	27	25	26	24	25
Third fifth	15	15	16	14	15	15
Lowest two-fifths	7	9	10	9	8	9

[1] Index Numbers: 1969 = 100.

[2] In interpreting these figures, it should be noted that the average SAT scores declined for all students taking the test.

These trends were not uniform among various types of institutions. As shown in tables 7 and 8, the Doctoral-Granting Universities and the Liberal Arts Colleges I appeared to have held their own in student recruitment and admissions. On the other hand, the Comprehensive Universities and Colleges and the Liberal Arts Colleges II experienced considerable deterioration. And as will be shown later in this report, the experience of individual institutions within each type varied widely--some made substantial progress during the period while others suffered serious reverses.

Several other kinds of evidence on trends in student recruitment and admissions were obtained. When chief admissions officers were asked whether admission standards were becoming more or less selective in their institutions, 26 percent of those responding said standards have been lowered since 1969, whereas only 8 percent said they have been raised.

The admissions effort has been intensified since 1969 as indicated by the fact that the number of persons employed in admissions work has increased by 27 percent since 1969 and has also increased relative to the number of freshmen admitted (see table 9).

The chief admissions officers were asked several questions about future strategies and plans for student recruitment. From the responses, it is clear that most institutions are striving to discover new techniques and new markets and are expecting to be increasingly aggressive in their student recruitment efforts. Among the possible changes are approaching high schools not previously visited, extending geographic coverage, seeking persons beyond the college age and other nontraditional students, adding new programs or changing old ones to serve new clienteles, etc. There is keen awareness of increasing competitiveness in the "market" for college students.

Attrition

The data obtained in this study did not include an adequate measure of trends in student attrition. However, some indirect evidence on this subject is provided by the ratio between undergraduate freshmen and transfer students admitted and total undergraduate enrollment. An increase in this ratio, i.e., an increase in the number of new students needed to maintain a given student body, would suggest that attrition has increased. As it turned out, this ratio was almost constant from 1970-71 to 1974-75; thus, such evidence as we can present gives no indication of increasing student attrition in the private sector.

TABLE 7

EXPERIENCE OF PRIVATE COLLEGES AND UNIVERSITIES IN THE RECRUITMENT AND ADMISSION OF STUDENTS BY TYPE OF INSTITUTION, 1969-70 THROUGH 1974-75

	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions Combined
1. Percentage change in number of completed applications received for admission to freshman class	+ 3%	- 17%	0%	- 20%	- 9%
2. Percentage change in number of applicants offered admission to the freshman class	+ 1%	- 12%	+ 5%	- 10%	- 6%
3. Percentage change in number of full-time students admitted to the freshman class	- 5%	- 13%	- 3%	- 14%	- 10%
4. Percentage change in number of full-time undergraduate transfer students admitted	+ 44%	+ 33%	+ 59%	+ 14%	+ 34%
5. Percentage change in number of full-time undergraduate students, freshman and transfer, admitted	+ 3%	- 6%	+ 5%	- 7%	- 2%

TABLE 8

SCHOLASTIC APTITUDE TEST (SAT) SCORES AND RANK IN HIGH SCHOOL CLASSES, ENTERING FRESHMEN, BY TYPE OF INSTITUTION, 1969-70 AND 1974-75

	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions Combined
SAT Combined Scores					
1969-70 Autumn	1127	1051	1197	983	1063
1974-75 Autumn	1084	1014	1130	922	1013
Percentage Change:					
1969-70 to 1974-75	- 4%	- 4%	- 6%	- 6%	- 5%
Percentage by Rank in High School Class:					
Top fifth					
1969-70	70%	45%	65%	39%	51%
1974-75	67	51	64	35	51
Second fifth					
1969-70	23	30	21	29	27
1974-75	24	26	21	26	25
Third fifth					
1969-70	5	19	10	19	15
1974-75	6	16	10	20	15
Bottom two-fifths					
1969-70	2	6	4	13	7
1974-75	3	7	5	19	9

TABLE 9

CHANGES IN THE SIZE OF THE ADMISSIONS STAFF, BY TYPE OF INSTITUTION, 1969-70 TO 1974-75

	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions Combined
Number of persons (full-time equivalent) on admissions staff (Index Numbers: 1969-70 = 100)					
1969-70	100	100	100	100	100
1974-75	142	116	122	130	127
Ratio between number of students admitted to number of persons on admissions staff					
1969-70	119:1	136:1	64:1	74:1	104:1
1974-75	86:1	110:1	57:1	58:1	82:1

Conclusions

The following principal conclusions were derived from the analysis of changes in the student population:

1. Total enrollment of the private sector increased substantially during the years 1969-70 to 1971-72 and held remarkably steady from 1971-72 to 1974-75. The rate and timing of the increase differed somewhat among the four types of institutions. The most significant variation was the substantial decline in enrollment since 1971-72 in the Liberal Arts Colleges II.

2. The relative composition of the student population changed markedly. The number of freshmen and sophomores declined; the number of juniors and seniors rose and then fell, but ended up in 1974-75 about even with the number in 1970-71; the number of graduates and professional students increased; the number of women, minority students, older students, and non-degree students increased more than white, male, full-time students of traditional college age.

3. Two-thirds of the institutions responding would have preferred more students in 1974-75 than were actually enrolled.

4. Most institutions are expecting and basing their plans on a small increase in enrollment in the next two years.

5. Student recruitment and admissions were considered along with those for enrollment. Freshman admissions fell off, transfer admissions increased sharply, total undergraduate admissions declined by 2 percent from 1969-70 to 1974-75. Presumably, though our data do not show it, graduate and professional admissions increased by enough to produce a slight increase in total enrollments.

6. Selectivity in admissions declined in that the number of freshman applicants fell more rapidly than the number of freshman admissions. However, little change occurred in rank in high school class and the decline in Scholastic Aptitude Test (SAT) scores was comparable to that for all students taking the tests.

7. Increasing competitiveness in student recruitment was revealed by the testimony of admissions officers and by the significant increase in staff and expenditures for admissions over the period from 1969-70 to 1974-75.

8. Partial evidence suggests that little change occurred in student attrition over the period from 1969-70 to 1974-75.

9. The Liberal Arts Colleges II displayed some weakness in the form of declining total enrollments, relatively large shortfall of students in 1974-75, and declining relative "quality" of students as measured by SAT scores and rank in high school class.

In general, the position of the private sector in the market for students has not as yet deteriorated, though demographic changes which will reduce the total pool of students of traditional college age are imminent in the 1980s. The situation is least satisfactory among the Liberal Arts Colleges II but far from catastrophic even there. There are signs of strain. For example, the competition for students has become more intense, the recruitment effort has been stepped up, and student admissions have become somewhat less selective. However, for the private sector as a whole, enrollments have held steady and most institutions express surprising confidence in their ability to maintain enrollments in the next two years. The situation can be described as worrisome but not disastrous--at least not yet.

That enrollment has held up as well as it has is doubtless due in part to federal and state programs of student aid and in part to improved management, innovative programs, and determined efforts on the part of the institutions. In interpreting the conclusions on enrollment, it must be remembered that they reflect aggregates of large numbers of institutions and tend to obscure the wide variance among institutions. In chapter IX where the condition of individual institutions is discussed, we show that the relatively favorable experience of the aggregate is not shared by all institutions and that there is serious distress in the private sector.

CHAPTER III

FACULTY AND STAFF

In universities and colleges, a large portion of total expenditures are personnel costs. One of the adjustments institutions can make in times of financial hardship is to control increases in the payroll or even to cut the payroll. Changes in the number of people employed is, therefore, an indicator of the financial situation. In this section, we consider changes in faculty and non-academic staff over recent years.

Faculty: Numbers, Compensation, Student-Faculty Ratio, and Status

Over the period from 1969-70 to 1974-75, the number of faculty members (full-time equivalents) increased by about 5 percent while enrollment grew by about 8 percent. Thus, the student-faculty ratio increased slightly from 17.7 to 18.0 (see table 10). Differences among the four types of institutions in growth of faculty and changes in student-faculty ratios were slight.

TABLE 10

CHANGES IN NUMBER AND COMPENSATION OF FACULTY AND IN STUDENT-FACULTY RATIO, 1969-70 TO 1974-75

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975
1. Number of FTE[1] faculty on the payroll, all ranks[2]	100	103	104	104	104	105
2. Average compensation[3] per FTE faculty member, all ranks[2]	100	108	115	121	126	133
3. Annual percentage increases in average faculty compensation	--	8.0%	6.4%	5.0%	4.1%	5.7%
4. Total payroll, all faculty and all ranks[2]	100	113	123	129	132	141
5. Ratio: FTE student enrollment to one FTE faculty on the payroll	17.7	17.7	18.2	18.1	18.1	18.0

[1] Full-time equivalent.

[2] Index Numbers: 1969-70 = 100.

[3] Includes fringe benefits.

The average compensation for faculty members increased over the six-year period by 33 percent, or at the average annual compound rate of about 4.8 percent. The increase in faculty compensation was somewhat higher for the Comprehensive Universities and Colleges (38 percent) and somewhat lower for the Liberal Arts Colleges I (27 percent).

The data on faculty numbers give little indication of either retrenchment or expansion, but rather suggest maintenance of the status quo. Faculty compensation did not, however, keep pace with the consumer price index which rose by 38 percent over the period 1969-70 to 1974-75. Particularly in the past two or three years, increases in faculty compensation fell far short of the spectacular rise in consumer prices. Also, as shown in appendix A, table 57, faculty compensation in the private sector failed to keep pace with that in the public sector and also failed to keep pace with average weekly earnings in non-agricultural employment.

Table 11 presents varied data on the status and work load of faculty for 1974-75. Unfortunately, most of the respondents were unable to supply information on these subjects for earlier years and so it was not possible to measure trends over time. The data do indicate, in our judgment, that the tenure situation is not out of hand, that the faculties are fairly well distributed by age, and that a faculty turnover ratio of 10 to 11 percent a year provides some maneuverability. However, of the separations from the faculty, only 11 percent were retirements; 6 percent were due to death or disability; 82 percent were completed contracts that were not renewed for a variety of reasons. As shown in the table, differences among the several types of institutions are small except in the case of the student-faculty ratio. The Comprehensive Universities and Colleges use faculty relatively sparingly and the Liberal Arts Colleges I relatively generously.

Administrative and Non-Academic Staff: Numbers and Compensation

Table 12 shows changes in the number of full-time administrators, clerical persons, and other non-academic staff (the latter consisting chiefly of physical plant workers, custodians, food service employees, and a host of other skilled and unskilled workers). We would have preferred to have these data as full-time equivalents but many of our respondents were unable to supply information in this form.

The trends tend to be somewhat erratic owing to occasional retrenchment, followed by recovery, in number of non-academic personnel. For example, for most categories, significant staff reductions were carried out in 1970-71 or 1971-72. Also, the trend was generally downward after 1970-71 for other non-academic staff. The net result over the entire period from 1969-70, however, turned out to be substantial growth in numbers of administrative and clerical personnel, reduction in numbers of other non-academic staff, and approximate stability of total non-academic employment.

TABLE 11

DATA RELATING TO THE STATUS OF FACULTY, BY TYPE OF INSTITUTION
1974-75

	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions Combined
Percentage of faculty on tenure	58%	57%	63%	48%	57%
Percentage distribution of faculty by age:					
20 - 29	7	7	11	13	8
30 - 39	35	36	37	34	35
40-- 49	30	28	28	29	29
50 - 59	20	21	19	16	20
60 and over	8	8	6	9	8
Total	100%	100%	100%	100%	100%
Percentage of faculty on leave with pay	3%	2%	5%	2%	3%
Faculty turnover (1973-74)					
Separations as percentage of faculty	11	10	9	11	10
New appointments as percentage of faculty	10	10	9	14	11
Student-faculty ratio:					
Ratios of student enrollment FTE[1] to faculty on the payroll FTE	16.4	22.4	14.0	14.7	18.0

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[1] Full-time equivalent.

TABLE 12

CHANGES IN NUMBER OF FULL-TIME NON-ACADEMIC EMPLOYEES, 1969-70 THROUGH 1974-75
(Index Numbers: 1969-70 = 100)

	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975
Doctoral-Granting Universities						
Administrative staff	100	100	85	86	90	99
Clerical staff	100	106	112	105	113	107
Other non-academic staff	100	106	97	100	98	96
Total	100	105	99	99	101	99
Comprehensive Universities and Colleges						
Administrative staff	100	103	108	117	124	132
Clerical staff	100	117	117	121	119	123
Other non-academic staff	100	103	102	91	80	79
Total	100	108	108	105	101	103
Liberal Arts Colleges I						
Administrative staff	100	103	103	109	115	118
Clerical staff	100	105	112	109	114	116
Other non-academic staff	100	101	101	92	92	90
Total	100	103	105	101	103	104
Liberal Arts Colleges II						
Administrative staff	100	111	111	111	111	111
Clerical staff	100	105	89	105	111	111
Other non-academic staff	100	107	100	107	111	115
Total	100	108	100	108	111	113
Four Types of Institutions Combined						
Administrative staff	100	103	95	100	105	112
Clerical staff	100	109	112	111	114	113
Other non-academic staff	100	105	99	97	93	91
Total	100	106	102	102	101	101

The fragmentary data available on part-time non-academic staff suggests that the figures in table 12 on full-time workers tend to understate the total increase in non-academic employment. The growth in numbers of part-time workers was greater than that of full-time workers. Moreover, student employment increased on the average by about 6 percent over the five-year period.

The relatively rapid growth of administrative and clerical personnel (which far exceeded the growth of faculty or of "other non-academic personnel") has probably been due partly to new tasks imposed by governmental regulations and partly to the need to strengthen student recruitment, fund-raising, public relations, and other activities required to protect the integrity of the institutions in a time of adversity.

Wages and salaries of administrative and non-academic staff increased on the average during the past two years at 6 to 7 percent a year (see table 13)--about in line with wages and salary increases for the economy as a whole (see appendix A, table 57) but more rapidly than the increases in faculty compensation.

Conclusions

The data on faculty and staff reflect tight budgets but not major retrenchment induced by acute financial stringency. Over the period from 1969-70 to 1974-75 the following changes occurred in faculty and staff:

1. The faculties were expanded by about 5 percent while enrollments grew by 8 percent; thus, the number of faculty in relation to the number of students was on the average a trifle more generous in 1974-75 than in 1969-70.

2. The increase in average faculty compensation over the period, at 33 percent, was moderately less than the increase in the consumer price index (38 percent) or the increase in average weekly earnings in private non-agricultural employment (36 percent).

3. The administrative and clerical staff grew over the years 1969-70 to 1974-75 by 12 and 13 percent, considerably more than either the student body or the faculty. This growth was probably due partly to an increased administrative work load related to government programs, partly to the need to strengthen admissions, fund-raising, public relations, etc., and partly to the need to improve programs--especially in student services--designed to attract and retain students.

4. The growth of administrative and clerical staff was partly offset by a considerable cutback in other non-academic staff consisting mainly of blue-collar workers. Apparently, retrenchment in staff was concentrated in the blue-collar group.

TABLE 13

NUMBER OF INSTITUTIONS REPORTING VARIOUS PERCENTAGE INCREASES IN WAGES AND SALARIES, ADMINISTRATIVE AND NON-ACADEMIC STAFF, AUTUMN 1973 to AUTUMN 1975

	Administrative Staff		Non-Academic Staff	
	1973 to 1974	1974 to 1975	1973 to 1974	1974 to 1975
Percentage increases, four types of institutions combined:				
0%	6	8	4	8
1 - 2%	0	0	0	0
3 - 4%	8	6	6	5
5%	20	14	20	14
6%	19	8	16	9
7%	11	11	13	5
8%	5	10	5	15
9%	3	8	3	3
10%	3	10	6	12
Over 10%	2	2	4	6
Total	77	77	77	77
Median percentage increases, by type of institution:				
Doctoral-Granting Universities	6%	8%	6%	8%
Comprehensive Universities and Colleges	6	7	6	8
Liberal Arts Colleges I	6	6	7	6
Liberal Arts Colleges II	5	6	5	6
Four Types of Institutions Combined	6	7	6	7

5. Non-academic salaries increased more rapidly than faculty compensation.

The final conclusion is that there is little evidence of major retrenchment, but evidence of tight budgets and steady financial erosion as indicated by the restraint in faculty salary increases, by the cutback on other non-academic staff, and paradoxically by the growth of staff to improve programs and services.

CHAPTER IV

PROGRAM

This chapter presents evidence about the content and quality of program in the private sector of American higher education. From this evidence, some inferences can be drawn about the financial condition of the private colleges and universities.

Change in Program Content

One possible indicator of the financial condition and outlook of the private institutions is program change. If institutions are adding new departments and majors, new research activities, new library resources, and new services for students, or if they are expanding existing programs, one might infer that they are prosperous. On the other hand, if they are deleting or cutting back on existing programs, one might infer that they are experiencing financial pressure. In any institution, one would expect some program additions and expansions to be taking place simultaneously with deletions and cutbacks. Program change is one of the adjustments that an institution struggling to survive will make. In some cases, program changes will involve little cost if they result from reallocation of internal staff and facilities. But the relative amounts of expansion and retrenchment would reveal something about current financial imperatives as well as about prospects as seen by the administrations and the governing boards.

Each institution in the sample was asked to report on actual changes in 30 specific programs during the past two years and to indicate anticipated changes in the next two years. The responses of the institutions were remarkably complete for so detailed a question. On the average, the rate of response was 79 percent.

Table 14 summarizes the responses on changes in programs during 1973-74 through 1974-75. For example, the first row of this table indicates that 11 institutions added one or more departments, 8 institutions deleted one or more departments, 7 expanded one or more departments, and 7 contracted one or more departments. As one reviews the table, it is evident that the number of new programs far exceeded the number of deleted programs, and that the number of expanded programs was far greater than the number of contracted programs. Indeed the ratio of additions or expansions to deletions or contractions was of the order of 10:1. There was not a single program in the list for which the number of additions and expansions did not exceed the number of deletions or contractions. The results were essentially the same for each of the four types

TABLE 14

NUMBER OF INSTITUTIONS REPORTING CHANGES IN PROGRAM
1973-74 THROUGH 1974-75

	Additions	Deletions	Expansions	Contractions	No Change	Not Reporting	Total
Instructional Programs:							
Departments	11	8	7	7	51	16	100
Schools or colleges	3	1	2	0	67	27	100
Degree programs	21	1	13	2	45	18	100
Major fields	19	2	13	5	37	24	100
Interdisciplinary majors	25	2	20	1	32	20	100
Extension programs	12	1	10	1	53	23	100
Non-traditional programs[1]	21	1	9	1	49	19	100
Summer session	3	3	8	4	59	23	100
Inter-session	11	3	3	0	55	28	100
Special programs for women	20	0	13	0	51	16	100
Special programs for minorities	8	0	11	2	58	21	100
Research programs	10	0	13	1	56	20	100
Community or public service programs	20	1	10	1	47	21	100
Total	184	23	132	25	660	--	---
Academic Support Programs:							
Library staff	7	0	16	10	46	21	100
Library services	11	0	23	2	45	19	100
Library acquisitions	19	0	27	11	22	21	100
Museums, galleries	7	0	11	0	57	25	100
Cultural events	10	0	20	2	45	23	100
Audio-visual services	10	0	35	1	34	20	100
Computing services	11	1	34	1	33	20	100
Total	75	1	166	27	282	--	---

Table 14 (Continued)

	Additions	Deletions	Expansions	Contractions	No Change	Not Reporting	Total
Student Services:							
Personal counseling	7	0	35	2	34	22	100
Career counseling	17	0	32	0	32	19	100
Career placement	12	0	30	0	39	19	100
Health services	5	0	12	2	60	21	100
Recreation, intramural sports, etc.	10	1	33	0	38	18	100
Book store	2	0	13	1	63	21	100
Other	4	0	23	1	47	25	100
Total	57	1	178	6	313	--	---
Auxiliary Enterprises:							
Student union	5	0	12	0	61	22	100
Student housing (single)	6	0	11	5	57	21	100
Student housing (married)	4	1	3	0	63	29	100
Intercollegiate athletics	2	0	17	4	53	24	100
Total	17	1	43	9	234	--	---
GRAND TOTAL	333	26	519	67	1,489	--	---

[1] The questionnaire did not attempt to define non-traditional programs and merely asked the respondents to enter the number "as you define them." Presumably they may include programs using innovative teaching techniques directed toward conventional students, programs using conventional techniques directed toward non-traditional students, or programs using innovative techniques for non-traditional students.

of institutions: Doctoral-Granting Universities, Comprehensive Colleges and Universities, Liberal Arts Colleges I, and Liberal Arts Colleges II.

The responses were virtually identical for anticipated changes in program in the years 1975-76 through 1976-77. The number of institutions reporting anticipated additions and expansions of programs was overwhelmingly greater than the number reporting anticipated deletions and contractions.

An analysis of the data was made to identify individual institutions which were experiencing at least some retrenchment. Only one such institution out of 80 respondents was so identified. It happened to be an institution that, through special circumstances, had lost considerable enrollment. Even in that case, the score was 18 deleted or contracted programs compared with 15 added or expanded programs.

These data on change in program should be interpreted with some caution. They merely record the number of institutions reporting changes; they do not measure the amount of change. For example, an institution might report one deletion of a department or school costing $1 million and report five additions consisting of low-cost interdisciplinary programs, cultural events, a special program for women, etc., which would add up to $500 thousand. Thus, the institution would have retrenched on balance even though it had added several programs. Nevertheless, the fact that additions and expansions were overwhelmingly more numerous than deletions or contractions strongly suggests that little net retrenchment has been taking place in the past two years or is anticipated in the next two years. The financial data of the institutions tends to confirm this impression. One suspects, however, that if the survey had been made in the period 1969-70 through 1972-73, when many institutions were suffering operating deficits, the results would have been quite different. Thus, in interpreting the results, one must recognize that they represent program changes from a base that had already been pared down by earlier pruning.

It must be recognized also that many of the additions and expansions of program are defensive measures designed to attract new clienteles, to meet demands of students, or to respond to new technologies. For example, among the services large numbers of institutions are adding or expanding are interdisciplinary majors, non-traditional programs, special programs for women, community and public service programs, audio-visual services, computing services, personal counseling, career counseling, and placement.

But even after these qualifications have been considered, one can scarcely avoid suspecting that little retrenchment is taking place.

Program Quality as Judged by the Presidents and Chief Academic Officers

The president and chief academic officer of each participating institution was asked independently and through different questions to make a general assessment as to whether his institution has been gaining ground, holding its own, or losing ground. In addition, each president was asked whether he expected improvement, no change, or deterioration over the next five years. In this section, the responses are summarized.

Table 15 presents the views of the presidents about the recent past. Almost all thought they had been gaining ground or holding their own with respect to performance in the academic program and in student services. They cited new developments in adult education, new career services for students, new curricular plans, new vocational programs, and better faculty cooperation. Many mentioned that the soft academic labor market had enabled them to upgrade faculty. Almost no one reported that his institution was slipping in performance of its basic academic mission.

TABLE 15

ASSESSMENTS BY THE PRESIDENTS OF RECENT TRENDS IN THE CONDITION OF THEIR INSTITUTIONS

	Gaining Ground	Holding Their Own	Losing Ground	No Response	Total (Unweighted)
Doctoral-Granting Universities					
Financially	3	6	1	0	10
Academically	10	0	0	0	10
Student Services	5	5	0	0	10
Comprehensive Universities and Colleges					
Financially	6	14	6	6	32
Academically	17	10	0	5	32
Student Services	12	13	2	5	32
Liberal Arts Colleges I					
Financially	9	9	6	0	24
Academically	16	8	0	0	24
Student Services	12	12	0	0	24
Liberal Arts Colleges II					
Financially	8	13	7	6	34
Academically	20	7	1	6	34
Student Services	17	10	1	6	34
Four Types of Institutions Combined					
Financially	26	42	20	12	100
Academically	63	25	1	11	100
Student Services	46	40	3	11	100

The number of presidents who thought their institutions were losing ground financially was larger but still it was a small minority --about a fourth. There were numerous references to improved management, better financial control, stronger fund-raising staff, and gifts fortunately received just in time to avert a deficit.

With respect to future prospects, again only a small minority expected deterioration; most expected improvement--though with varying degrees of probability (see table 16).

TABLE 16

RESPONSES OF PRESIDENTS TO THE QUESTION:
HOW DO YOU VIEW THE OUTLOOK FOR YOUR INSTITUTION
OVER THE NEXT FIVE YEARS?

	Will Improve	No Change	Will Deteriorate	No Answer	Total
Doctoral-Granting Universities	9	0	1	0	10
Comprehensive Universities and Colleges	14	9	3	6	32
Liberal Arts Colleges I	15	5	3	1	24
Liberal Arts Colleges II	22	2	3	7	34
Four Types of Institutions Combined	60	16	10	14	100

The chief academic officers, who were responding to different questions, were somewhat less optimistic than the presidents. As shown in table 17, nearly half of those responding reported that financial pressures were having unfavorable effects on the educational program. The most frequently mentioned casualties were cutbacks in program, reductions in numbers of faculty, inadequate increases in faculty compensation, and cutbacks in the library and in purchases of educational equipment. The cutbacks in program most frequently reported were centered in foreign language and area study programs, counseling and other special services for students, cultural programs including visiting speakers and artists, and faculty time for course and curricular development and for educational innovation. In reading the comments of the chief academic officers, one gained the impression of modest tightening of budgets having effects--sometimes severe--on particular departments. But in no case was a "meat ax" assault on the total educational programs reported or even indirectly suggested. The only conclusion that can be reached from this

TABLE 17

ASSESSMENTS BY CHIEF ACADEMIC OFFICERS OF RECENT TRENDS IN THE CONDITION OF THEIR INSTITUTIONS

	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions Combined
Have financial pressures in your institution resulted in changes which may be unfavorable to the sound educational and personal development of your students?					
Yes	3	9	10	16	38
No	5	18	12	11	46
No answer	2	5	2	7	16
Total	10	32	24	34	100
Are circumstances other than financial pressures resulting in undesirable changes?					
Yes	3	8	5	12	28
No	4	18	17	15	54
No answer	3	6	2	7	18
Total	10	32	24	34	100
On the other hand, are current changes in financial pressures or other circumstances resulting in improvements in the educational and personal development of your students?					
Yes	6	23	15	25	69
No	2	4	7	2	15
No answer	2	5	2	7	16
Total	10	32	24	34	100

evidence is that, on the average, budgetary tightening has been moderate and that the institutions have not--at least not yet--been severely damaged by financial adversity. As we shall show, there are individual exceptions to this generalization.

The chief academic officers were asked if current changes were resulting in improvements in the educational and personal development of their students. An overwhelming 69 out of 84 respondents answered "yes." The improvements mentioned most frequently were addition of new programs such as internships, experiential learning, career orientation, calendar revision, instructional innovations, new majors, honors programs, women's studies, campus ministry, credit by examination, and many others; curricular reorganization and revision; increasing personal attention to students and closer rapport between faculty and students; more cooperative attitudes and more positive motivation of students; ability under present market conditions to recruit more talented faculty; increasing emphasis on institutional self-study, educational planning, and management. The responses clearly suggest that many institutions are in an unusual state of educational ferment possibly stimulated by financial stringency.

Conclusions

The following conclusions are based on the analysis of the program data as reported by the presidents and chief academic officers of the institutions under study:

1. New programs and expansion of existing programs are far in excess of deletions and contractions.

2. Some program changes are undoubtedly defensive measures designed to attract or hold clienteles; yet, these results do not support the conclusion that the private sector has experienced financial stringency serious enough to require damaging retrenchment in program.

3. Most institutions have not yet suffered financial reverses so severe that educational performance has been adversely affected.

4. Due to the difficulty of objective reporting of financial reverses by presidents and academic officers, judgment on these responses must be reserved until objective data on institutional finances are also considered.

CHAPTER V

ENVIRONMENT

Each private institution is a creature of its environment. Its progress and its welfare are partly a result of forces impinging upon it from outside and its responses to these forces. Conditions in the environment affect enrollments, finances, and educational effectiveness, and they also impose constraints on freedom of decision and action. The environmental features that are especially significant for a private college or university are other public and private institutions, general economic and demographic conditions, the political climate, the attitudes and practices of donors, and the attitudes and behavior of students. As part of the study, the presidents of the participating institutions and the executives of the state associations of private institutions were asked to comment on trends in the environments to which they are subject. This section summarizes the responses.

Competition of the Public Sector

An overriding concern of the presidents is the increasing competition of public institutions. Ninety-four percent of them reported some adverse change in the competitive situation in the past three years. They were particularly concerned about competition for students. They mentioned the establishment of new nearby public campuses or new competing educational programs, the widening of the tuition gap as tuitions in dollars have risen less in public institutions than in private institutions, and the increasing aggressiveness of student recruitment by public colleges and universities. One interesting twist to student recruitment is that some public institutions are said to be actively seeking out-of-state students because of the substantial tuitions they bring. Many of the presidents also alluded to the intensification of fund-raising by public institutions from private sources and reported that they were running into direct competition with specific financial campaigns of public institutions.

A small minority of presidents, however, pointed out that in some respects the competitive situation may have improved. They mentioned that the new community colleges have opened opportunity to new population groups and that the graduates of these colleges are now transferring in increasing numbers to private four-year institutions. They mentioned that in some states the rise in public tuitions has been sufficient to halt the widening of the tuition gap. Some mentioned that the increasing size of the public institutions and the financial constraints under which they have been operating have decreased their attractiveness to students. Indeed, some have ascribed the strength of the enrollment situation in the private sector to overall quality deterioration in the public sector. In at least one state, a legislatively imposed ceiling on enrollment in public institutions has strengthened the competitive position of the private sector. Finally, several presidents observed that programs of state aid to students had stemmed the flow of students to the public sector.

Despite these favorable aspects of the competitive situation, there is no doubt that most presidents of private colleges and universities feel that the competitive pressure from the public sector--particularly in the area of student recruitment--is increasing. The detailed responses of the presidents regarding changes in the competitive situation are summarized in table 18.

TABLE 18

NUMBER OF PRESIDENTS OF PRIVATE COLLEGES AND UNIVERSITIES REPORTING THE EFFECTS OF VARIOUS CHANGES IN THE ACTIVITIES AND PROGRAMS OF PUBLIC INSTITUTIONS UPON THE COMPETITIVE POSITION OF THEIR INSTITUTIONS, 1971-72 TO 1974-75

	Favorable	Unfavorable	None	No Response	Total
New campuses	6	39	33	22	100
New programs	7	36	34	23	100
Changes in student recruitment or admissions practices	4	43	34	19	100
Changes in program quality	8[1]	7	63	22	100
Changes in services to students	6[1]	8	64	22	100
Changes in fund-raising practices	1	33	45	21	100
Specific capital campaigns	1	23	55	21	100
Changes in relative tuitions and fees[2]	5	56	17	22	100

[1] These may be interpreted as changes which represent deterioration of programs in the public sector and which, therefore, improve the competitive position of the private sector.

[2] An unfavorable change implies that tuition increases occurred at a slower rate or in smaller dollar amounts in public institutions than in private institutions.

Competition from Private Institutions

Private colleges and universities are in competition not only with public institutions but also with their private counterparts, and so the presidents of the participating institutions were asked to report on changes in the private sector in the past three years which might have affected the competitive situation. The responses lead unmistakably to the conclusion that weakness on both the enrollment and financial fronts is producing an extraordinary degree of competitiveness. As one respondent put it, competition is becoming "less gentlemanly." Many of the respondents alleged that other institutions are lowering standards, entering adult degree programs that border on diploma mills, forsaking liberal education for shoddy vocational programs, etc. One respondent from a women's college described the situation in the following comment: "Nearby private colleges have all become intensely aggressive in student recruitment; a men's college has gone coed, a traditonal liberal arts college has set up a B.A. program for nurses with various hospitals throughout the state, one college has improved its quality and has organized a massive recruitment program, one college is offering a 25% reduction in tuition for in-state students, another is using a traveling mobile unit for admissions, and another has gone broke." Another respondent commented: "The increased intensity of all recruitment efforts by almost all institutions within the state greatly increases the difficulty and cost of effective student recruitment." The president of a predominantly black institution mentioned the problem for his institution of the "aggressive recruitment of black high school graduates by historically white institutions." Another president commented : "Selectivity in admissions seems to be a thing of the past among our competing institutions and has jeopardized our enrollments."

The responses on changes in the private sector within the past three years as they affect the competitive position of private institutions are summarized in table 19. In interpreting this table, it must be recognized that a favorable factor from the point of view of one institution may be an unfavorable factor from the point of view of another. The only firm conclusion from this table and the related comments is that competition has become keener within the private sector.

Government

An increasingly important feature of the environment of private higher education is government--federal, state, and local. The presidents of the participating institutions were asked about recent legislation, judicial decisions, and administrative rulings that may be affecting their institutions favorably or unfavorably.

On the favorable side, almost all of the comments related to federal or state programs of financial aid to students or institutions. Out of 81 respondents, 45 expressed their appreciation of existing state

TABLE 19

NUMBER OF PRESIDENTS OF PRIVATE COLLEGES AND UNIVERSITIES REPORTING THE EFFECTS OF CHANGES IN THE ACTIVITIES AND PROGRAMS OF OTHER PRIVATE INSTITUTIONS UPON THE COMPETITIVE POSITION OF THEIR INSTITUTIONS, 1971-72 TO 1974-75

	Favorable	Unfavorable	None	No Response	Total
New campuses of other private institutions	2	7	72	19	100
New programs of other private institutions	5	16	60	19	100
Changes in relative tuitions and fees[1]	15	12	54	19	100
Changes in student recruitment or admissions practices	7	25	49	19	100
Changes in program quality	5	5	71	19	100
Changes in services to students	6	6	69	19	100
Changes in fund-raising practices	5	12	64	19	100
Specific capital campaigns	3	13	65	19	100

[1] A favorable change means that competing institutions raised their fees.

programs and the hope that such programs may be instituted in the few states that do not already have them or that existing programs may be strengthened and financed more adequately. Many presidents look upon state aid as the most promising way of improving their financial position. Also, the respondents made it clear that in states where aid to private colleges is substantial (e.g., New York), these programs are making a significant difference. Many respondents also expressed appreciation of the federal student aid programs and indicated that modest changes in these programs would be of great benefit to the private sector.

In view of the importance of the state aid programs, a special questionnaire was sent to the executive directors of the state associations of private colleges and universities to inquire about political attitudes in each state toward the private sector. These people are in close touch with the political and educational leaders in each state and are good judges of the political climate. Responses were obtained from 32 states. As shown in table 20, the results can only be described as very positive.

TABLE 20

ATTITUDES OF OPINION LEADERS IN 32 STATES TOWARD PRIVATE HIGHER EDUCATION
AS JUDGED BY EXECUTIVE DIRECTORS OF STATE ASSOCIATIONS
OF PRIVATE COLLEGES AND UNIVERSITIES, 1975

	Favorable	Neutral	Unfavorable	No Response or Not Applicable	Total
Political Leaders:					
Governor	25	5	2	0	32
Governor's staff	21	8	2	1	32
Legislature	24	5	3	0	32
Legislative education committees	24	6	2	0	32
Legislative committee staffs	20	7	1	4	32
Coordinating agency staff	20	6	2	4	[illegible]2
Coordinating agency board	20	5	2	5	32
Major media	19	8	2	3	32
Educational Leaders:					
State universities	14	13	3	2	32
State colleges	8	11	11	2	32
Community colleges	6	13	8	5	32
Other public post-secondary education	6	11	3	12	32
Proprietary schools	10	14	2	6	32
Public secondary schools	15	6	6	5	32
Private secondary schools	23	2	0	7	32
Secondary school counselors	15	9	2	6	32
Overall Political Climate	24	6	2	0	32

In the judgment of the executive directors, political opinion is overwhelmingly favorable to the private sector. The only exceptions are some of the leaders of public higher education who are concerned that appropriations for the private sector will be at the expense of funding for public institutions. Yet in most states, according to the association directors, the leaders of public higher education are either favorable or neutral toward the cause of the private sector. The directors point out that the major obstacle to increasing state aid for the private sector is the financial squeeze faced by many of the state governments rather than political hostility.

A thoughtful comment by one of the state association directors perhaps sums up the opinions of the group about general trends in private higher education:

> Interest in attending college on the part of college-age people of my state seems about as strong as ever. Independent colleges seem to be attractive to students. We get about half the students who win state scholarships. Last year, for the first time since 1950, independent college enrollment increased more than that of state universities and colleges. Recession and moral issues of society may be causing more students and parents to look for quality when they choose a college--with quality defined to include concern for individual students and concern for development of values.
>
> Educational programs of the independents have suffered some because of budget cutbacks, but overall quality may be about the same because of increased determination of faculty and staff.
>
> Independent institutions are holding their enrollment due to increases in federal and state student assistance programs, continuing attractiveness of independent colleges to students, vigorous recruitment efforts of admissions officers, and the recruitment activities of our association.
>
> Meanwhile the tuition gap continues to grow by $150 a year. One wonders how many more students our colleges would enroll if this were not so.
>
> The financial lid kept on public universities over the past ten years generally has prevented these institutions from establishing programs that would make public colleges relatively more attractive to students. In fact, they may have lost a little ground in providing services that show concern for students. However, they have been able to increase faculty salaries half again as much as have the independents during the past four years.
>
> There are several trends which, if continued, will be advantageous to independent institutions:

(1) Tight budgets for public universities.

(2) Emergence of coordinating groups which will require effective use of the resources of all segments of postsecondary education.

(3) Continuing expansion of federal and state student assistance programs.

Returning to the responses of the presidents of private institutions regarding government, many brought up influences and practices of government that they regard as adverse. The most frequently mentioned was the recent rapid increase in what Stephen Bailey has called "sheaves of fine print, bales of forms, and panopolies of inspectors." The responses were mostly indignant outcries against bureaucracy, paper work, red tape, unproductive intrusion in decision processes, etc. Another set of complaints concerned federal, state, and local taxation. Though the major concern is possible revision of federal taxes to reduce incentives for charitable giving, institutions have also experienced problems relating to tax exemption of real estate and the impact of local or state sales or excise taxes upon auxiliary enterprises. A third complaint heard from institutions having regional or national clienteles is that state programs of aid, most of which are confined to state boundaries, do not materially assist institutions drawing students from many states.

The Climate for Fund-Raising from Private Sources

The presidents were asked to express their opinion of the current fund-raising climate compared to that of several years ago. The results are shown in table 21 and largely speak for themselves. Virtually all of those who thought the climate is deteriorating ascribed the deterioration to the recession in both the economy and the stock market. A few mentioned also the residue of the student unrest in the 1960s, general public disillusionment with higher education, changes or impending changes in the tax laws, increasing constraints on foundations, etc. A few also said that publicity about the allegedly precarious future of private colleges has worked against successful fund-raising, but others reported that public awareness of the financial problems of private colleges has been helpful. The overwhelming sentiment was that the underlying climate of opinion has improved and that what is needed is economic recovery. Some of those who reported that the climate has improved said (illogically) that their fund-raising success was due to increasingly aggressive and astute strategies in the face of adverse conditions. Several mentioned that the purposes for which funds can be obtained depend on the plans and needs of the institution.

TABLE 21

RESPONSES OF PRESIDENTS OF PRIVATE COLLEGES AND UNIVERSITIES ON CHANGES IN THE GENERAL CLIMATE FOR FUND-RAISING FROM PRIVATE SOURCES OVER THE PAST THREE TO FIVE YEARS

	Improved	Same	Deteriorated	No Response	Total
By Source of Funds:					
Individuals	29	17	32	22	100
Foundations	12	20	47	21	100
Corporations	18	27	33	22	100
By Purpose of Funds:					
Current operations	31	30	15	24	100
Student financial aid	31	35	8	26	100
Endowment	15	38	19	28	100
Capital	31	35	8	26	100

Student Attitudes and Behavior

Perhaps the most heartening part of the survey was that dealing with students. The responses were nearly unanimous (74 out of 81) to the effect that student behavior has improved markedly and that student unrest, 1960 style, has largely vanished. Students are more involved with their studies than they were a few years ago and traditional extracurricular activities are making a comeback. A few respondents reported lack of respect for college property, non-payment of college bills, increased use of alcoholic beverages (but less use of drugs), and "sex folkways disenchanting to donors." Some respondents reported that many contemporary students face severe financial need which makes them resistant to rising costs of college-going and many students are deeply concerned about jobs and careers which makes them less accepting of liberal education. The respondents varied in their reaction to career emphasis. Some looked upon it as an assault on liberal education and others regarded it with equanimity and even satisfaction.

Two excerpts from the responses may convey a sense of the general tone of student life as reported by the presidents of two quite different institutions:

> Students are more serious, more mature, more constructive. Certainly their behavior does not distract potential donors from the institution's continuing strengths (as it did in the late 60s). Their impact on the educational program is positive.

* * * *

Students are oriented toward career education. During the past four years there has been a marked shift of emphasis from liberal arts to business administration. Enrollment in the latter has tripled during those years, and in liberal arts has dropped almost 30 percent. This shift is having a considerable effect on the composition of our faculty, both tenured and untenured. While overall enrollment has remained steady, the change will force the institution to consider the release of tenured professors in the liberal arts and the hiring of additional professors in business administration.

Conclusions

An analysis of the reports by presidents on the environment of private institutions resulted in the following conclusions:

1. Competition between private and public institutions is increasing and is a major concern for presidents. The areas of competition include new and expanded public campuses, increasing aggressiveness in student recruitment, and the widening tuition gap between private and public institutions.

2. The competition for philanthropic dollars has increased from both public and private colleges and universities.

3. In states where aid to private institutions is substantial (e.g., New York), these programs are making a significant difference. Federal student aid programs are also benefiting private institutions.

4. Increasing government involvement seems to have introduced costly paper work, red tape, and unproductive intrusions into campus decision processes.

5. Private colleges and universities continue to be vulnerable to possible federal tax revisions that would reduce the incentives for philanthropic giving and to state and local taxes that increasingly impinge upon private colleges and universities.

6. Donor attitudes toward higher education have improved. What is now needed is a recovery of the economy and the stock market.

7. Student attitudes and behavior have improved from the administrators' points of view.

CHAPTER VI

THE CURRENT FUND: OPERATING REVENUES AND EXPENDITURES

The data on revenues and expenditures are derived primarily from annual reports of each institution to the Higher Education General Information Survey (HEGIS) of the U.S. Department of Health, Education, and Welfare. Virtually all of the institutions in the sample are included. Since, unfortunately, the data for 1969-70 are less complete than those for later years, it was not feasible to carry the figures back to 1969-70, the base year for most of the data in this study.

Revenues

Changes in revenue and expenditures over the period 1970-71 through 1973-74 are presented in table 22 for the four types of institutions combined. This table obscures differences among individual institutions but records the general trend of revenues and expenditures in the aggregate over the four-year period. It should be noted that the base year, 1970-71, was a deficit year for the private sector; therefore, the index numbers may show exaggerated increases.

From table 22, several important conclusions can be derived. First, total current revenues increased by 25 percent over the four-year period. During the same period, enrollment increased by 3 percent[1] and the price level increased 17 percent as measured by the Consumer Price Index and 18 percent as measured by the Higher Education Price Index of HEW. From these figures, one may infer that the institutions gained in real resources available for current operations. The gain was shared by all the revenue elements except endowment income and other revenues. This increase in total current revenues, however, was not sufficient to take care of increases in cost due to the general progress of the economy which raises wages and salaries on the average by 2.5 to 3.0 percent a year. As a result, faculty compensation increased at a slower rate than wages and salaries in the general economy.

Tuitions and fees rose just about in proportion to total revenues. Despite much opinion to the contrary, the institutions did not derive an increasing share of their revenues from tuitions and fees.

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[1] The period under consideration is four years, 1970-71 through 1973-74. The enrollment increase from 1969-70 through 1974-75 was 8 percent (see table 1).

TABLE 22

CHANGES IN CURRENT REVENUES AND EXPENDITURES FOUR TYPES OF INSTITUTIONS COMBINED, 1970-71 THROUGH 1973-74

(Index Numbers: 1970-71 = 100)

	1970-71	1971-72	1972-73	1973-74
Current Revenues:				
Educational and general revenues				
Tuitions and fees	100	111	117	125
Private gifts	100	99	116	134
Governmental grants	100	116	68	165
Endowment income	100	101	101	113
Other[1]	100	108	117	135
Sub-total, educational and general revenues	100	110	113	129
Revenue designated for student aid	100	112	118	125
Other revenues[2]	100	102	122	112
Grand total, all current revenues	100	108	116	125
Current Expenditures:				
Educational and general expenditures				
Instruction and departmental research	100	107	114	124
Libraries	100	106	115	123
Physical plant maintenance and operation	100	107	114	120
Administrative and general expense	100	110	123	132
Other[1]	100	124	115	155
Sub-total, educational and general expenditures	100	109	116	128
Student aid expenditures	100	109	118	126
Other expenditures[2]	100	118	130	129
Grand total, all current expenditures	100	111	120	128

[1] Includes revenues for organized activities related to educational departments, sponsored research, other separately budgeted research, other sponsored programs, recovery of indirect costs, and sales and services of educational departments.

[2] Includes major service programs such as hospitals and auxiliary enterprises such as housing and food service.

Private gifts increased more than total revenues.[1] This, however, may be a sign of weakness rather than strength. It means that the institutions were required to carry on constant campaigns for current support at a heavy cost in administrative time and energy, and it means that gifts which in better times would have been added to endowment or invested in plant were now spent to balance the operating budget. Increasing dependence on private gifts also increases vulnerability to economic depression, to changes in tax laws, and to adverse changes in donor attitudes. On the other hand, some will argue that the ability to increase current gifts is a sign of strength.

Another possible weak spot is governmental grants. The growth in this area was erratic. The figures derived from this particular study sample were probably more erratic than those for the entire private sector. Yet, there is no doubt that many institutions have suffered from the instability of this source.

The situation was not strikingly different among the four groups of institutions as shown in tables 23 through 26. Current revenues increased more rapidly than inflation and enrollment for all groups, and the patterns of change were similar.

The growth in real resources over the four-year period 1970-71 through 1973-74 is pin-pointed by data on educational and general revenues per student expressed in constant dollars (see table 27). As these data show, all four categories of institutions were able to increase their real resources per student--though the gain was small in the case of the Liberal Arts Colleges I. Presumably, quality of instruction did not deteriorate for lack of resources and may have improved.

Expenditures

Turning to current expenditures (as shown in the lower half of tables 22 through 26), administrative and general expense grew more rapidly than total expenditures. This was true of all four types of institutions, and probably reflects expansion of administrative effort to recruit and hold students, to raise funds, and to comply with new governmental programs. Table 22 indicates that physical plant expenditures increased less than total expenditures. This pattern, however, was not the same among all four institutional categories. Physical plant expenditures grew faster than total expenditures in the case of the two liberal arts groups. Incidentally, the figures on physical plant expenditures do not fully reflect the recent rise in energy costs.

Perhaps the most important fact revealed by these tables is that the rise in expenditures for instruction and departmental research failed to keep pace with total educational and general expenditures. This means

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[1] Some of the relative increase in gift income may have been due to a change in accounting rules for reporting gifts used for current operations.

TABLE 23

CHANGES IN CURRENT REVENUES AND EXPENDITURES, DOCTORAL-GRANTING UNIVERSITIES, 1970-71 THROUGH 1973-74

(Index Numbers: 1970-71 = 100)

	1970-71	1971-72	1972-73	1973-74
Current Revenues:				
Educational and general revenues				
Tuitions and fees	100	112	121	133
Private gifts	100	105	124	132
Governmental grants	100	127	59	134
Endowment income	100	114	113	126
Other[1]	100	104	113	125
Sub-total, educational and general revenues	100	112	114	131
Revenue designated for student aid	100	107	116	104
Other revenues[2]	100	100	123	118
Grand total, all current revenues	100	108	117	126
Current Expenditures:				
Educational and general expenditures				
Instruction and departmental research	100	108	116	127
Libraries	100	107	119	128
Physical plant maintenance and operation	100	103	109	114
Administrative and general expense	100	108	124	132
Other[1]	100	132	125	169
Sub-total, educational and general expenditures	100	110	118	131
Student aid expenditures	100	104	113	117
Other expenditures[2]	100	99	109	108
Grand total, all current expenditures	100	106	115	123

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[1] Includes revenues for organized activities related to educational departments, sponsored research, other separately budgeted research, other sponsored programs, recovery of indirect costs, and sales and services of educational departments.

[2] Includes major service programs such as hospitals and auxiliary enterprises such as housing and food service.

TABLE 24

CHANGES IN CURRENT REVENUES AND EXPENDITURES, COMPREHENSIVE UNIVERSITIES AND COLLEGES, 1970-71 THROUGH 1973-74

(Index numbers: 1970-71 = 100)

	1970-71	1971-72	1972-73	1973-74
Current Revenues:				
Educational and general revenues				
Tuitions and fees	100	111	114	118
Private gifts	100	90	98	134
Governmental grants	100	67	91	307
Endowment income	100	79	78	90
Other[1]	100	113	132	161
Sub-total, educational and general revenues	100	107	112	126
Revenue designated for student aid	100	118	133	158
Other revenues[2]	100	109	124	106
Grand total, all current revenues	100	108	115	123
Current Expenditures:				
Educational and general expenditures				
Instruction and departmental research	100	107	115	125
Libraries	100	105	110	117
Physical plant maintenance and operation	100	110	118	122
Administration and general expense	100	113	122	131
Other[1]	100	110	104	131
Sub-total, education and general expenditures	100	109	116	126
Student aid expenditures	100	112	125	136
Other expenditures[2]	100	254	280	273
Grand total, all current expenditures	100	124	133	142

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[1] Includes revenues for organized activities related to educational departments, sponsored research, other separately budgeted research, other sponsored programs, recovery of indirect costs, and sales and services of educational departments.

[2] Includes major service programs such as hospitals and auxiliary enterprises such as housing and food service.

TABLE 25

CHANGES IN CURRENT REVENUES AND EXPENDITURES, SELECTIVE LIBERAL ARTS COLLEGES, 1970-71 THROUGH 1973-74

(Index numbers: 1970-71 = 100)

	1970-71	1971-72	1972-73	1973-74
Current Revenues:				
Educational and general revenues				
Tuitions and fees	100	110	120	129
Private gifts	100	108	107	140
Governmental grants	100	232	93	293
Endowment income	100	107	106	121
Other[1]	100	99	103	113
Sub-total, educational and general revenues	100	108	116	129
Revenues designated for student aid	100	110	107	117
Other revenues[2]	100	108	112	111
Grand total, all current revenues	100	108	115	124
Current Expenditures:				
Educational and general expenditures				
Instruction and departmental research	100	105	112	119
Libraries	100	106	120	128
Physical plant maintenance and operation	100	110	115	127
Administration and general expense	100	103	117	128
Other[1]	100	78	65	85
Sub-total, educational and general expenditures	100	104	111	121
Student aid expenditures	100	112	121	128
Other expenditures[2]	100	110	114	114
Grand total, all current expenditures	100	106	112	120

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[1] Includes revenues for organized activities related to educational departments, sponsored research, other separately budgeted research, other sponsored programs, recovery of indirect costs, and sales and services of educational departments.

[2] Includes major service programs such as hospitals and auxiliary enterprises such as housing and food service.

TABLE 26

CHANGES IN CURRENT REVENUES AND EXPENDITURES, OTHER LIBERAL ARTS COLLEGES, 1970-71 THROUGH 1973-74

(Index numbers: 1970-71 = 100)

	1970-71	1971-72	1972-73	1973-74
Current Revenues:				
Educational and general revenues				
Tuitions and fees	100	114	116	122
Private gifts	100	100	131	133
Governmental grants	100	114	118	113
Endowment income	100	99	99	114
Other[1]	100	141	126	199
Sub-total, educational and general revenues	100	113	118	129
Revenues designated for student aid	100	113	99	125
Other revenues[2]	100	95	109	103
Grand total, all current revenues	100	108	115	122
Current Expenditures:				
Educational and general expenditures				
Instruction and departmental research	100	98	102	107
Libraries	100	101	107	110
Physical plant maintenance and operation	100	109	136	143
Administration and general expense	100	115	128	136
Other[1]	100	137	102	162
Sub-total, educational and general expenditures	100	107	114	124
Student aid expenditures	100	111	111	128
Other expenditures[2]	100	104	113	117
Grand total, all current expenditures	100	107	113	123

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[1] Includes revenues for organized activities related to educational departments, sponsored research, other separately budgeted research, other sponsored programs, recovery of indirect costs, and sales and services of educational departments.

[2] Includes major service programs such as hospitals and auxiliary enterprises such as housing and food service.

TABLE 27

EDUCATIONAL AND GENERAL REVENUES PER STUDENT 1970-71 THROUGH 1973-74

	1970-71	1971-72	1972-73	1973-74
Current Dollars:				
Doctoral-Granting Universities	3,103	3,421	3,413	3,892
Comprehensive Colleges and Universities	2,346	2,378	2,527	2,843
Liberal Arts Colleges I	3,253	3,411	3,546	3,898
Liberal Arts Colleges II	2,061	2,270	2,456	2,733
Four Types of Institutions Combined	2,694	2,865	2,960	3,355
Constant 1970-71 Dollars:[1]				
Doctoral-Granting Universities	3,103	3,296	3,140	3,293
Comprehensive Colleges and Universities	2,346	2,291	2,325	2,405
Liberal Arts Colleges I	3,253	3,286	3,262	3,298
Liberal Arts Colleges II	2,061	2,187	2,259	2,312
Four Types of Institutions Combined	2,694	2,760	2,723	2,838

[1] Deflated on the basis of the Consumer Price Index.

that the institutions were forced (or chose) to spend more on supporting services at the expense of their primary function of instruction and research. The disparity between growth of instructional expenditures and growth of total educational and general expenditures was particularly acute in the case of Liberal Arts Colleges II. This disparity is a significant indicator of financial stringency. Every institution tries above all else to concentrate resources in the academic heartland of instruction and departmental research and substantial slippage in the relative percentage of resources devoted to this area is an indication of strain.[1]

Patterns of Revenues and Expenditures

The trends described above are revealed in a different way in table 28 which compares the percentage distributions of educational and general revenues and expenditures for the years 1970-71 and 1973-74. This table also shows differences among the four groups of institutions in the patterns of revenues and expenditures.

Some of the striking facts revealed are (1) the heavy dependence of the two groups of liberal arts colleges on current gifts; (2) the relatively small involvement of these two groups with governmental grants; (3) the important place of endowment income in the finance of the Liberal Arts Colleges I; (4) the relatively low percentage of expenditures devoted to instruction in the two liberal arts groups; and (5) the sharp decline in the percentage devoted to instruction of the Liberal Arts Colleges II.

Surpluses and Deficits

In considering the financial position of colleges and universities, attention is often focused on current fund deficits. The preoccupation with deficits is to some extent misplaced because the amount of deficits or surpluses can sometimes be determined by managerial decisions or governing board rules as to the allocation of gifts between current operations on the one hand and capital, endowment, or reserves on the other. Frequently, institutions show deficits in the same year that they accumulate large capital or endowment funds; or they show surpluses when they have been drawing down capital by providing inadequate reserves. Yet surpluses or deficits are not wholly meaningless in that most institutions try very hard to balance their current budgets and a deficit is usually (though not always) a sign of at least temporary stringency. Persistent deficits are almost always a sign of financial distress.

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[1] It can be argued, however, that some of the new programs needed to adjust to changing conditions--for example, career counseling, placement, clinical programs, etc., tend to raise expenditures classified as administrative costs and to decrease the percentage of total expenditures devoted to instruction and departmental research.

TABLE 28

PERCENTAGE DISTRIBUTIONS OF CURRENT REVENUES AND EXPENDITURES FOR EDUCATIONAL AND GENERAL PURPOSES, 1970-71 AND 1973-74

	Doctoral-Granting Universities		Comprehensive Universities and Colleges		Liberal Arts Colleges I		Liberal Arts Colleges II		Four Types of Institutions Combined	
	1970-71	1973-74	1970-71	1973-74	1970-71	1973-74	1970-71	1973-74	1970-71	1973-74
E and G Revenues:										
Tuitions and Fees	63%	64%	81%	76%	67%	67%	69%	65%	71%	68%
Private gifts	6	6	5	6	11	12	14	15	6	7
Governmental grants	10	10	3	7	1	1	3	3	6	8
Endowment income	5	5	5	4	15	14	6	5	6	5
Other	16	15	6	7	6	6	8	12	11	12
Totals	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
E and G Expenditures:										
Instruction	50%	48%	50%	49%	46%	46%	47%	41%	49%	48%
Libraries	5	5	5	5	5	5	5	5	5	5
Plant	12	10	12	12	13	13	11	12	12	11
Administration	22	23	27	28	29	31	30	33	25	26
Other	11	14	6	6	7	5	7	9	9	10
Totals	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

To some financial experts, a deficit in the current fund exists whenever current gifts are used to balance the budget. According to this theory, all gifts should go to capital or endowment; the use of any gift to balance the current budget represents deficit financing. For example, referring to table 28, 7 percent of the aggregate revenue to meet current expenditures was derived from gifts, and in the case of the Liberal Arts Colleges II this percentage was 15. Some experts will say that these figures represent the magnitude of the true deficits because gift income was improperly assigned to current revenues. Different persons will have different opinions about the amount of financing from current gifts that may be prudently counted as current income. The judgment of the authors is that figures as high as 15 percent of current revenue may be a sign of financial weakness--except in institutions having large resources or unusually dependable donors of current gifts. Such a high percentage may invite future trouble if economic conditions should worsen or if the attitudes of donors should turn sour. The use of gifts to this extent for current operations may be a mortgaging of the future by slowing up the accumulation of endowment and physical capital. However, we are not prepared to argue that institutions should use no gift income for current operations, and we recognize that prudent amounts may vary among institutions according to their circumstances.

Having made these observations about the varying interpretations of the concepts surplus and deficit, we have attempted to measure the aggregate surpluses and deficits based on our sample of institutions. For this purpose our definition is simply total current revenues (including whatever gifts the institutions have counted) minus total current expenditures. In case the difference is positive it is called a surplus; if it is negative it is called a deficit. We then expressed each surplus (+) or deficit (-) as a percentage of total current expenditures. The resulting figures are not as reliable as most of the information in our study because Current Fund data are not well suited to determining the total amount of actual operating surpluses or deficits. Table 29 presents the results of these calculations. It shows that the institutions in the aggregate incurred deficits in 1970-71 and that the deficits were gradually eliminated in subsequent years. However, the Liberal Arts Colleges II as a group, re-entered the deficit position in 1973-74.[1] The reversion of the Liberal Arts Colleges II into the deficit column is another indication of financial strain in this group.

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[1] The average deficit per institution in this year was $52,000. This average is computed as the algebraic sum of surpluses and deficits divided by the number of institutions.

TABLE 29

CONSOLIDATED CURRENT FUND SURPLUS (+) OR DEFICIT (-) AS PERCENTAGE OF TOTAL CURRENT FUND EXPENDITURES, 1970-71 THROUGH 1973-74

	1970-71	1971-72	1972-73	1973-74
Doctoral-Granting Universities	-2.5%	-0.5%	-0.9%	+0.2%
Comprehensive Universities and Colleges	+5.7	+4.1	+3.0	+3.7
Liberal Arts Colleges I	-0.6	+1.6	+1.4	+2.8
Liberal Arts Colleges II	-0.8	+0.3	+0.1	-1.5
Four Types of Institutions Combined	+0.4	+1.2	+0.6	+1.3

Student Aid

Revenue and expenditures for student aid are ordinarily accounted for as a separate category in the current fund because of the once-accepted theory that student aid should be self-supporting like auxiliary enterprises. Few private institutions are now in the position of having a self-financed student aid program, and most must dip into general current revenues to meet student aid requirements. Thus, one indication of financial strength is the percentage of student aid expenditures met by student aid revenues. As shown in table 30, this percentage for the four types of institutions combined remained about constant for the period 1970-71 through 1973-74, but the trends for the four groups of institutions were rather different.

TABLE 30

STUDENT AID REVENUE AS PERCENTAGE OF STUDENT AID EXPENDITURES, 1970-71 THROUGH 1973-74

	1970-71	1971-72	1972-73	1973-74
Doctoral-Granting Universities	45%	46%	46%	39%
Comprehensive Universities and Colleges	38	40	41	45
Liberal Arts Colleges I	61	60	54	56
Liberal Arts Colleges II	63	64	57	62
Four Types of Institutions Combined	45	47	45	45

The position of the Doctoral-Granting Universities and of the Liberal Arts Colleges I deteriorated significantly; the position of the Comprehensive Universities and Colleges improved; and that of the Liberal Arts Colleges II changed only slightly.

Predominantly Negro Colleges

Our sample of 34 Liberal Arts Colleges II included 10 predominantly Negro institutions. A separate analysis of these institutions was made in connection with our study of revenues and expenditures, the purpose being to determine whether there were significant differences in the progress of these institutions as compared with their predominantly white counterparts.

The results of this analysis was that the Negro colleges made remarkable progress during the years 1970-71 through 1973-74 as compared with the colleges serving predominantly white students. The following figures on percentage increases in revenues over the four years testify to the difference:

	Negro Colleges	White Colleges
Total educational and general revenues	+38%	+27%
Student aid revenues	+77	+14
Total revenues	+48	+18

From these figures one can infer that the inclusion of predominantly Negro colleges had the effect of improving the recorded performance of the Liberal Arts Colleges II. This being so, the situation for the predominantly white colleges was not as good as our figures for the entire group would indicate.[1]

Conclusions

The following conclusions were derived from the analysis of current revenues and expenditures over the four-year period 1970-71 through 1973-74:

1. The real resources of the institutions, after allowance for inflation and enrollment growth, increased slightly.

2. The institutions were able to find sufficient revenues from gifts, grants, endowment, and other sources to avoid an

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[1] Comparisons between Negro and white institutions in other respects were not, however, as favorable as these figures on revenues.

increase in dependency on tuition and fees. However, the institutions became increasingly dependent on private gifts and governmental grants which may not be stable sources. Moreover, the use of private gifts for current operations may be at the expense of the accumulation of needed endowment and physical capital

3. The most striking change in the pattern of expenditures is that outlays for instruction and departmental research--the heart of an academic institution--did not keep pace with total educational and general expenditures. This trend was especially pronounced for the Liberal Arts Colleges II. Apparently the institutions found it necessary to increase administrative and other costs at the expense of instruction. These shifts are indicators of financial stringency.

4. The institutions in the aggregate experienced deficits in the current fund in 1970-71. These deficits were eliminated in later years but the Liberal Arts Colleges II reverted to deficit status in 1973-74.

5. Trends were mixed regarding the finance of student aid. In the aggregate, the percentage financed from income designated for student aid remained stable, but the position of the Doctoral-Granting Universities and Liberal Arts Colleges I deteriorated in that their student aid was financed increasingly from general funds.

6. The ten predominantly Negro institutions in our sample made more rapid progress in revenues than the predominantly white institutions.

The general conclusions from the analysis of current revenues and expenditures is that in the aggregate the growth of resources available to the private sector outstripped inflation and enrollment growth. Real resources per student increased modestly during the period 1970-71 through 1973-74. Also, progress was made in the elimination of the deficits that appeared at the onset of the "new depression" in higher education (in 1970-71 and before). There were, however, clear signs of financial stress. The most important was the declining percentage of total expenditures devoted to instruction and departmental research and the gradually increasing dependence on private gifts to balance operating budgets. The position of the Liberal Arts Colleges II especially appeared to worsen as indicated by the precipitous decline in the percentage of total expenditures devoted to instruction and departmental research, their heavy and increasing dependence on current gifts, and their return to deficit status in 1973-74.

CHAPTER VII

THE BALANCE SHEET: ASSETS, LIABILITIES, AND NET WORTH

Because changes in assets, liabilities, and net worth are particularly revealing indicators of the financial position of colleges and universities, special care was devoted in this study to the collection of reliable balance sheet data. The institutions were asked to supply their audited financial statements for the end of each of five fiscal years, 1969-70 through 1973-74. The audited statements were then made comparable by recasting them when necessary for consistency with definitions and standards of the National Association of College and University Business Officers[1] and the American Institute of Certified Public Accountants.[2] The procedures for recasting were devised by Mr. Dale Davis and Mr. James Murdock, experienced fund accountants, who audited the final data. Of the 100 institutions in our sample, complete data were available for 95.

We present these data with some diffidence because the art of analyzing consolidated balance sheets of colleges is in its infancy. Because of the valuation of assets at book value, the practice of most colleges and universities to ignore depreciation, the difficulty of reconciling the two purposes of accounting--fiduciary and managerial--and the fuzziness of institutional use of restricted and unrestricted assets, balance sheets are soft and difficult to interpret. Yet they are in principle very important to financial analysis of academic institutions. We have tried to make a beginning in the presentation and interpretation of balance sheet data.

Five-Year Changes

Tables 31 through 35 show changes for 1970 through 1974, by major categories of assets, liabilities, and fund balances, for each of the four types of institutions and for all four types combined. Referring to table 31 which presents the combined data, assets grew steadily over the five-year period. The overall increase was 25 percent and the average annual compound rate of increase was 5.8 percent. The category, other assets, grew more rapidly than other categories but the absolute amount of other assets is relatively small and does not carry much weight in determining the trend of total assets.

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[1] College and University Business Administration: Administrative Service (Washington: National Association of College and University Business Officers, 1974).

[2] Audits of Colleges and Universities (New York: American Institute of Certified Public Accountants, August 31, 1973).

The growth of assets should be viewed in relation to the growth of enrollment and the rate of inflation during the period 1970-1974. Enrollment grew by 7 percent; the price level as measured by the Consumer Price Index increased by 27 percent or as measured by the HEW Higher Education Price Index by 26 percent. The growth of assets apparently failed to keep pace with the combined effects of enrollment growth and inflation. Indeed the relatively slow pace of asset growth may be worse than the figures indicate because assets acquired some years ago were recorded on the books at acquisition cost which was well below present values. Thus, the base against which recent growth in assets is measured may be understated, and the true growth rate may be lower than that shown in table 31.

TABLE 31

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, FOUR TYPES OF INSTITUTIONS COMBINED, END OF FISCAL YEARS 1970 TO 1974

(Index Numbers: 1970 = 100)

	1970	1971	1972	1973	1974
Assets:					
Current	100	106	116	119	122
Endowment	100	103	110	116	122
Plant	100	106	113	118	125
Other	100	109	121	137	149
Total assets	100	106	113	118	125
Interfund borrowing	100	95	117	97	100
Net assets	100	106	113	119	126
Liabilities:					
Current	100	100	108	107	113
Plant	100	105	113	111	117
Other	100	107	106	117	164
Total liabilities	100	104	111	113	118
Fund Balances:					
Current	100	120	134	149	145
Endowment	100	103	110	117	121
Plant	100	107	113	121	127
Loan	100	112	127	144	154
Annuity and life	100	102	110	122	129
Total fund balances	100	106	113	121	127

The assets of colleges and universities are also sometimes overstated because of interfund borrowing. The amount of interfund borrowing may be an indicator of financial weakness because, in times of financial stress, institutions may borrow from endowment or plant funds to finance current operations. As shown in table 31, interfund borrowing fluctuated during the 1970-74 period but did not increase over the five years. Moreover, interfund borrowing as a percentage of total assets decreased during the five-year period from 2.5 to 2.0 (see table 36).

Referring again to table 31, total liabilities grew from 1970 to 1974 by 18 percent, or at a considerably slower rate than assets. The category, other liabilities, however, stands out because of its sudden spurt in 1974. This item, however, is a relatively minor part of the total.

Fund balances refer to the net balances of each of the funds and total fund balances is comparable to net worth or equity in the balance sheet of a profit-making firm. The larger the total of fund balances relative to total assets the greater the net worth and the less the debt of the institution. As the data in table 31 show, fund balances increased more than assets indicating a gain in the percentage of assets owned by the institutions without encumbrance.

Tables 32 to 35 show the changes in balance sheet categories for the four types of institutions. Generally, the trends were quite similar for all four groups. However, interfund borrowing and current liabilities grew considerably more rapidly in the two liberal arts groups than in the Doctoral-Granting Universities and Comprehensive Universities and Colleges groups. Current fund balances were quite erratic in the case of the Liberal Arts Colleges II. These are warning signals of distress especially among the Liberal Arts Colleges II.

Percentage Distributions

Table 36 presents the same balance sheet data in terms of percentage distributions for the years 1970 and 1974. From these figures one can observe changes in the composition of the assets, liabilities, and fund balances. The main impression given is one of stability. However, this table also enables one to compare the percentage distributions in the year 1974 for the several groups of institutions. One observes that endowment is relatively small in the Comprehensive Colleges and Universities and Liberal Arts Colleges II; interfund borrowing is relatively high for both groups of liberal arts colleges; current liabilities are relatively high for Doctoral-Granting Universities; and current fund balances (or net worth) are relatively low for Liberal Arts Colleges II.

Selected Financial Ratios

Additional perspective on the balance sheet data is provided in table 37 which presents several ratios of assets to liabilities.

TABLE 32

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, DOCTORAL-GRANTING UNIVERSITIES, END OF FISCAL YEARS 1970 to 1974

(Index Numbers: 1970 = 100)

	1970	1971	1972	1973	1974
Assets:					
Current	100	108	115	113	112
Endowment	100	103	110	117	123
Plant	100	105	112	116	124
Other	100	106	116	135	149
Total assets	100	105	111	117	124
Interfund borrowing	100	83	122	95	84
Net assets	100	106	112	118	125
Liabilities:					
Current	100	102	108	101	102
Plant	100	102	110	107	121
Other	100	97	90	100	151
Total liabilities	100	102	108	104	116
Fund Balances:					
Current	100	123	134	145	139
Endowment	100	104	111	118	123
Plant	100	106	112	119	126
Loan	100	111	127	148	158
Annuity and life	100	95	99	119	134
Total fund balances	100	106	113	120	126

TABLE 33

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, COMPREHENSIVE COLLEGES AND UNIVERSITIES, END OF FISCAL YEARS 1970 TO 1974

(Index Numbers: 1970 = 100)

	1970	1971	1972	1973	1974
Assets:					
Current	100	100	112	126	137
Endowment	100	100	108	108	114
Plant	100	108	116	121	126
Other	100	111	125	140	152
Total assets	100	106	115	120	126
Interfund borrowing	100	98	104	75	90
Net assets	100	106	115	122	127
Liabilities:					
Current	100	90	104	109	125
Plant	100	109	115	114	114
Other	100	118	118	133	153
Total liabilities	100	106	114	114	117
Fund Balances:					
Current	100	122	132	166	166
Endowment	100	99	107	107	113
Plant	100	108	116	125	132
Loan	100	112	127	142	153
Annuity and life	100	107	120	133	131
Total fund balances	100	106	115	122	130

TABLE 34

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, LIBERAL ARTS COLLEGES I, END OF FISCAL YEARS 1970 TO 1974

(Index Numbers: 1970 = 100)

	1970	1971	1972	1973	1974
Assets:					
Current	100	105	135	141	152
Endowment	100	105	112	122	124
Plant	100	107	114	119	123
Other	100	108	118	114	127
Total assets	100	106	114	121	125
Interfund borrowing	100	109	124	132	136
Net assets	100	106	114	121	125
Liabilities:					
Current	100	100	109	131	144
Plant	100	109	114	113	117
Other	100	115	141	185	177
Total liabilities	100	108	114	119	124
Fund Balances:					
Current	100	110	157	149	159
Endowment	100	104	112	121	124
Plant	100	106	113	120	125
Loan	100	111	122	133	144
Annuity and life	100	106	114	96	108
Total fund balances	100	106	114	121	126

TABLE 35

CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES, LIBERAL ARTS COLLEGES II, END OF FISCAL YEARS 1970 TO 1974
(Index Numbers: 1970 = 100)

	1970	1971	1972	1973	1974
Assets:					
Current	100	111	116	134	137
Endowment	100	105	114	121	132
Plant	100	104	110	115	120
Other	100	120	136	153	163
Total assets	100	106	113	119	126
Interfund borrowing	100	126	135	153	177
Net assets	100	106	113	119	125
Liabilities:					
Current	100	116	122	138	151
Plant	100	102	111	110	113
Other	100	168	200	174	365
Total liabilities	100	106	115	117	125
Fund Balances:					
Current	100	92	89	120	80
Endowment	100	104	112	119	128
Plant	100	105	110	117	124
Loan	100	112	129	143	153
Annuity and life	100	157	177	220	153
Total fund balances	100	106	112	120	127

TABLE 36

PERCENTAGE DISTRIBUTIONS OF ASSETS, LIABILITIES, AND FUND BALANCES BY TYPE OF INSTITUTION, END OF FISCAL YEARS 1970 AND 1974

	Doctoral-Granting Universities		Comprehensive Colleges and Universities		Liberal Arts Colleges I		Liberal Arts Colleges II		Four Types of Institutions Combined	
	1970	1974	1970	1974	1970	1974	1970	1974	1970	1974
Assets:										
Current	9.4%	8.5%	6.3%	6.9%	4.2%	5.1%	6.5%	7.1%	7.7%	7.6%
Endowment	31.6	31.4	17.8	16.1	41.6	41.3	15.5	16.2	27.4	26.7
Plant	54.3	54.5	70.1	70.0	49.1	48.4	71.5	68.4	59.7	59.5
Other	4.7	5.6	5.8	7.0	5.1	5.2	6.5	8.3	5.2	6.2
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Interfund borrowing	2.2	1.5	3.0	2.1	3.0	3.3	2.3	3.2	2.5	2.0
Net assets	97.8%	98.5%	97.0%	97.9%	97.0%	96.7%	97.7%	96.8%	97.5%	98.0%
Liabilities:										
Current	34.5	30.4	16.6	17.7	16.7	19.4	18.5	22.2	25.2	24.2
Plant	59.9	62.3	80.5	78.5	79.7	75.4	79.5	71.9	70.7	70.0
Other	5.6	7.3	2.9	3.8	3.6	5.2	2.0	5.9	4.1	5.8
Total liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Fund Balances:										
Current	3.3	3.7	2.6	3.3	2.6	3.3	1.8	1.1	2.9	3.3
Endowment	38.4	37.3	23.8	20.8	47.0	46.6	21.4	21.6	34.3	32.7
Plant	53.0	52.7	66.2	67.4	45.0	44.8	68.3	67.0	56.7	56.9
Loan	3.5	4.4	6.5	7.6	2.7	3.0	7.3	8.8	4.5	5.4
Annuity and life	1.8	1.9	0.9	0.9	2.7	2.3	1.2	1.5	1.6	1.7
Total fund balance	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 37

SELECTED RATIOS OF ASSETS TO LIABILITIES BY TYPE OF INSTITUTION, END OF FISCAL YEAR 1970 TO 1974

	1970	1971	1972	1973	1974
1. Current unrestricted assets ÷ corresponding liabilities:					
Doctoral-Granting Universities	1.1	1.1	1.1	1.2	1.2
Comprehensive Universities and Colleges	1.0	1.2	1.2	1.2	1.2
Liberal Arts Colleges I	1.3	1.3	1.4	1.5	1.6
Liberal Arts Colleges II	1.0	0.9	0.9	1.0	0.9
Four Groups Combined	1.0	1.1	1.1	1.2	1.2
2. All current assets ÷ all current liabilities:					
Doctoral-Granting Universities	1.4	1.5	1.5	1.6	1.5
Comprehensive Universities and Colleges	1.4	1.6	1.5	1.7	1.6
Liberal Arts Colleges I	2.2	2.3	2.7	2.3	2.3
Liberal Arts Colleges II	1.2	1.2	1.2	1.2	1.1
Four Groups Combined	1.4	1.5	1.5	1.6	1.5
3. Plant fund assets ÷ plant fund liabilities:					
Doctoral-Granting Universities	4.6	4.8	4.7	5.0	4.8
Comprehensive Universities and Colleges	3.3	3.2	3.3	3.5	3.6
Liberal Arts Colleges I	5.3	5.1	5.2	5.5	5.6
Liberal Arts Colleges II	3.1	3.2	3.1	3.3	3.3
Four Groups Combined	3.9	4.0	3.9	4.2	4.2
4. Total assets ÷ total liabilities:					
Doctoral-Granting Universities	5.1	5.3	5.2	5.7	5.4
Comprehensive Universities and Colleges	3.8	3.8	3.8	4.0	4.1
Liberal Arts Colleges I	8.6	8.4	8.5	8.7	8.7
Liberal Arts Colleges II	3.5	3.5	3.4	3.6	3.5
Four Groups Combined	4.6	4.7	4.7	4.8	4.9

The first section of the table refers to the ratio of current unrestricted assets to corresponding liabilities. This ratio is comparable to the quick (or acid test) ratio used in judging the short-term financial strength of profit-making enterprises. It includes cash and cash equivalents and excludes inventories and prepaid items because these items are not readily available to retire current debt. In the case of higher education, it also excludes restricted current funds which are not available to meet general obligations. In industry, a ratio of 1.0 or more is considered adequate. As shown in table 37, the ratio is above 1.0 for all institutional groups except Liberal Arts Colleges II. Moreover, the ratio has been rising over the past five years for all but this one group.

The second section of table 37 refers to the conventional current ratio, i.e., all current assets to all current liabilities. In the profit-making sector, a ratio of 2.0 or higher is considered adequate. Only the Liberal Arts Colleges I meet this test. The Liberal Arts Colleges II are well below the other groups, and for all groups the trend was downward between 1973 and 1974.

The third section of table 37 refers to the ratio of plant assets to plant debt. It indicates that in all institutional groups, this ratio has been rising slowly and thus the relative burden of indebtedness has been gradually declining. The ratio is relatively low (the level of debt relatively high) in the case of Comprehensive Universities and Colleges and Liberal Arts Colleges II.

The fourth section of table 37 shows the ratio of total assets to total liabilities and thus indicates the relative overall burden of debt. In all cases except Liberal Arts Colleges II this ratio has been slowly rising over the past five years. The position of the Liberal Arts Colleges I with their sizeable endowments is relatively strong; while the position of the Liberal Arts Colleges II is relatively weak.

Conclusions

An analysis of the balance sheets of the subject institutions resulted in the following conclusions:

1. The dollar growth of assets and net worth was steady but did not fully measure up to the rise in general price level combined with the modest rise in enrollment.
2. Interfund borrowing declined for the Doctoral-Granting Universities and the Comprehensive Colleges and Universities, but increased substantially for the liberal arts colleges.
3. The data do not project a sense of acute general distress in the private sector, but rather a financial tightening and a tendency of slow erosion.
4. Liberal Arts Colleges II experienced special financial pressure during the period 1970 through 1974.

CHAPTER VIII

STUDENT HOUSING AND DINING

Utilization of institution-owned student housing and dining facilities has significant influence on the financial position of colleges and universities. Utilization is affected by the disposition of students to patronize college facilities and also by enrollment.

During the late 1960s and early 1970s, many students in both public and private institutions were inclined to live off-campus, and academic administrators became concerned about the financial solvency of their dormitories and dining halls. In the past year or two, however, the downward trend has apparently been reversed.

Data supplied by the Association of College and University Housing Officers (table 38) indicate that the downward trend in the occupancy rate of institutional housing was arrested in 1971 and that an increase occurred in 1974. The reversal may be attributed partly to the rise in the rentals of off-campus housing, partly to the adjustment of college housing policy to student life-styles, and partly to the fact that dormitory construction did not keep pace with enrollment increases. For whatever reasons, housing occupancy rates in the institutions surveyed by the Association (mainly larger institutions)[1] are on the average up to the 1969 level.

TABLE 38

OCCUPANCY RATES IN INSTITUTION-OWNED STUDENT HOUSING[1], PUBLIC AND PRIVATE INSTITUTIONS, 1969 TO 1974

		All Institutions	Private Institutions	Public Institutions
Autumn	1969	98%	98%	98%
	1970	97	99	97
	1971	96	97	96
	1972	96	98	95
	1973	96	97	96
	1974	98	98	97

SOURCE: Dale W. Meador, Residence Hall Occupancy Trends Resurveyed, Association of College and University Housing Officers, 1975 (Mimeographed). The data are based on 353 reporting institutions which are members of the Association. Small institutions are probably underrepresented.

[1] Places occupied as percentages of places available.

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[1] The institutions included in the survey are members of the Association of College and University Housing Officers.

For the sample of 100 private institutions included in the present study, the trend of housing occupancy rates was similar, though the 1974 rate (95 percent) had not rebounded to the 1969 level (97 percent). See table 39. Moreover, the trend varied widely among the different categories of institutions. The low absolute rate in 1974 for Comprehensive Colleges and Universities and Liberal Arts Colleges II (91 percent and 88 percent respectively) would appear to be unsatisfactory.

TABLE 39

OCCUPANCY RATES OF INSTITUTION-OWNED STUDENT HOUSING BASED ON REPORTS FROM SAMPLE OF 100 PRIVATE INSTITUTIONS, BY TYPE OF INSTITUTION, 1969 TO 1974

	Doctoral-Granting Universities	Comprehensive Universities and Colleges	Liberal Arts Colleges I	Liberal Arts Colleges II	Four Types of Institutions Combined
1969-1970	101	94	111	89	97
1970-1971	98	94	106	88	96
1971-1972	98	93	103	90	95
1972-1973	98	93	102	84	94
1973-1974	98	93	103	86	95
1974-1975	98	91	103	88	95

In response to a question as to whether housing occupancy was satisfactory in 1974, 29 percent of the institutions answered "No."

Similar inquiries were made about the patronage of the food service in 1974-75. About 7 percent of the institutions responded that it was unsatisfactory with underutilization averaging 32 percent in these cases.

CHAPTER IX

INSTITUTIONAL DISTRESS

The previous sections of this report described the condition of the private sector as a whole or of sub-groups within the private sector. The information presented was in the form of consolidated data describing trends in the condition of groups of institutions. These data did not reveal the considerable variability among institutions and did not give any indication of the number of institutions that may be in distress. In this chapter, we report on our examination of the data for the 100 sample institutions individually.

The following procedures were undertaken:

1. Data was tabulated for each institution with respect to leading indicators relating to enrollments, admissions, current revenues and expenditures, deficits, assets and liabilities, faculty salaries, self-assessment, etc.

2. The performance of each institution was measured according to selected key variables as compared with other institutions in the sample.

3. The overall performance and condition of each institution was judged on the basis of all the included variables using less formal and more judgmental procedures, determining those institutions that appeared to be in trouble.

4. The two results were reconciled and a final decision was made on the institutions.

We do not pretend that these methods have yielded definitive results. Further, as in any such classification, there were borderline cases. In the next phase of this study we expect to give more attention to the assessment of individual institutions. Nevertheless, our best judgment is that at the end of the academic year 1973-74, about 27 of the 100 institutions in the sample were in serious distress. If recent trends in these institutions are not corrected, the odds against their survival are formidable. If 27 institutions in one sample of 100 are in difficulty (27 percent), one may infer that about 234 of the 866 institutions in the universe are in trouble. This is by no means an insignificant number and cannot be taken lightly. We make no predictions, however, because changes in internal management and policy or changes in external conditions could bring about a turnaround in any of these institutions. Among possible changes in external conditions would be improvement in general economic conditions and, especially, new forms of federal or state aid. The bulk of the institutions that appeared to be in distress were among the Comprehensive Universities and Colleges and Liberal Arts Colleges I.

The typical pattern of an institution we judged to be in trouble was as follows: The institution had lost enrollment since 1969-70 by 10 to 30 percent; its selectivity in the admission of students had declined; the growth of revenue per student had failed to keep pace with inflation; the percentage of its total budget devoted to instruction had fallen; it had experienced operating deficits; interfund borrowing had increased; current liabilities had increased; the various ratios of assets to liabilities had fallen; the asset coverage of liabilities was relatively low, etc.

The difficulty with such judgments about the condition of institutions is that in any year in the past, had similar judgments been made, some institutions would have been found to be in trouble. There are no data on the extent of distress in past years, and therefore no way of judging whether the present situation is normal or exceptional. Our opinion is that there is more distress today than there was in, say, 1965-66; but we are not so sure that there is more distress than there was in 1953-54 (after the GIs left) or in 1935-36 (at the depth of the Great Depression). In any given year of the past century, it is probable that a significant number of institutions were in jeopardy. In the history of most long-standing private colleges and universities--even the strongest and most eminent ones--there have been periods of hardship and struggle when survival was in doubt. In any population of organizations such as business firms, churches, clubs, or colleges, old entities are constantly disappearing and new ones emerging. The question, then, is whether the number of private colleges and universities now in trouble is exceptional or unusual. It is well known that private colleges have been disappearing in recent years. Since January 1, 1970, 28 four-year private colleges, of which 16 were accredited, have closed. Also, since that date, 8 private colleges have merged with other institutions, and 5 have become public institutions. However, not all the institutions in these latter two groups were in financial distress.

If one examines the list of accredited four-year institutions which have disappeared since 1970 (see appendix B), one is impressed that they represent a mortality rate of the order of .5 of 1 percent a year which is infinitesimal compared, for example, with mortality among small business firms. One is also impressed by the smallness, newness, or obscurity that characterizes most of the institutions that have become defunct. In fact, four of those that have disappeared since 1970 (one-seventh of the entire list) were associated with a single episode, the demise of Parsons College.

The significance of the recent mortality of private colleges should ideally be interpreted in the light of past experience. Unfortunately, the necessary data are not available. However, it is well known that mortality among colleges and universities is not a new or unusual phenomenon. For example, of the 891 institutions (public and private) founded between 1770 and 1870, 650 had disappeared by 1870, an average mortality of 6.5 per year.[1] Similarly, of the 290 private four-year institutions founded between 1947 and 1970, 55, or 19 percent, had disappeared by 1970.[2] Thus, we must be cautious in drawing the inference that the recent mortality since 1970--which involved only 16 private, four-year, accredited institutions--was exceptional.

In appraising the outlook for those institutions that appear to be in trouble, one must consider that the environment is one of generally growing intensity of competition for students and increasing budgetary tightness for most private institutions. Complacency regarding the future of these institutions or of the private sector in general would be misplaced at this time. Yet, on the basis of our explorations, we regard the position of the private sector as far from hopeless and we are by no means predicting that 27 percent of all private colleges and universities are headed for extinction. Neither are we glossing over the clear fact that a significant number of institutions are in trouble.

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[1] New Academic Institutions: A Survey (Washington: American Council on Education, 1972), p. 8.

[2] Ibid., p. 14. This number refers to institutions dropped from the Education Directory of the U.S. Office of Education.

CHAPTER X

SUMMARY AND CONCLUSIONS

This report is the first in what is expected to be an annual series providing timely and reliable information on the condition of the private sector of American higher education. The report is based on comprehensive information gathered from a carefully chosen sample of 100 colleges and universities. The sample is representative of all private, four-year, non-profit, accredited institutions except the major research universities and the independent professional schools. In later years, it is hoped to add these two groups of institutions to the sample.

Each chapter of the report contains a final "summary and conclusion." Hence, this chapter will provide only a brief summary of findings and will be devoted mainly to general interpretation of the results.

The Principal Findings

1. Admission and Enrollment: Total enrollments in the private sector have held steady; in fact, they have increased by about 8 percent since 1969-70 though enrollment changes have varied widely among institutions. The composition of the student body has changed to include fewer freshmen and more graduate students, professional students, and part-time students. The market for students has become extremely competitive and the selectivity of the institutions in choice of students has diminished. However, the ability of admitted students as measured by high school rank has not changed appreciably and the decline in test scores in the private sector has been about in line with the general decline in these scores. The less selective liberal arts colleges have had exceptional difficulty in student recruitment and they suffered a slow but steady decline in enrollment from 1971-72 through 1974-75. In all but the strongest institutions, student recruitment has become increasingly worrisome. Maintaining enrollment is clearly the paramount problem of most institutions. Those with professional and vocational programs, those able to attract transfer students from community colleges, and those able to serve part-time students appear to be in a relatively stronger position than those dependent primarily on freshman admissions.

2. Retrenchment: A special effort was made in this study to identify areas of budgetary retrenchment of a kind which might indicate financial stringency. Very little retrenchment was discovered. The ratio of students to faculty increased slightly over the period since 1969-70. The size of the non-academic staff, however, remained about stable and

did not keep pace with enrollment. The composition of the non-academic staff changed. The administrative and clerical staff was increased--probably reflecting the need to strengthen admissions, fund-raising, and student services, and to comply with governmental programs. But the numbers of other non-academic staff--chiefly blue-collar workers--was sharply reduced. Here was one clear case of retrenchment. With respect to academic and student-service programs, there was expansion rather than retrenchment. The number of new or expanded programs far exceeded the number of deleted or contracted programs. Some of this expansion was undoubtedly defensive; that is, designed to attract and hold students and to adjust to changing times. But apparently few offsetting cuts were made in the adjustment process. When the presidents and chief academic officers were asked whether their institutions had suffered academically as a result of changing financial or other conditions, the overwhelming majority expressed the view that they were either holding their own or gaining ground. Compensation of faculty in the private sector failed to keep pace with the consumer price index or with faculty compensation in the public sector. Because the maintenance of the strongest possible faculty is a high priority of every institution, the inability of the private sector to keep pace in faculty salaries with the public sector is a clear indication of financial strain. The inference from these findings is that the private sector as a whole has indeed experienced budgetary tightness but not to the extent that widespread and drastic retrenchment has been necessary. This inference, of course, does not apply to every institution, but it does apply in the aggregate.

3. Environment: The environment in which the private institutions are operating has changed over recent years--in some respects for the worse and in some respects for the better. The respondents report almost unanimously that competition has intensified. The growth of the public sector with its new and expanded campuses and its relatively low tuitions has greatly increased the competition for students, and has also increased noticeably the competition for philanthropic dollars. The public institutions need students because their appropriations are tied to enrollments, and they have become more aggressive in student recruitment. Also, as their financial position has become tighter, they have become more enterprising in fund-raising from private sources. On the other hand, a few respondents expressed the opinion that increases in tuitions in the public sector and some deterioration of program in the public sector due to underfinancing and possibly to excessive growth, were having a favorable competitive effect on private institutions.

Enrollment problems and financial tightness in the private sector have made competition among private institutions for students and dollars keener and, as one respondent said, "less gentlemanly."

Other adverse features of the environment are the rapid growth in governmental regulation and required reporting, the increasing burden of local and state taxes or contributions in lieu of taxes, and the threat of federal action to reduce the tax incentives for charitable giving. On the brighter side, many respondents expressed appreciation of federal and state student aid programs and other financial aids. They also indicated that student attitudes and behavior have improved enormously and that donors are more favorably disposed today than they were a few years ago. However, fund-raising is greatly handicapped by the condition of the economy and of the stock market. A special survey of directors of state associations of private colleges revealed that the political climate for the private sector is on the whole quite favorable.

4. Revenues and Expenditures: The revenues of private institutions in the aggregate, after allowance for inflation and enrollment growth, increased slightly during the years 1970-71 through 1973-74, and the deficits of several years ago were largely corrected. However, there were signs of financial strain. Dependency on private gifts to balance budgets increased slightly, and the percentage of total expenditures devoted to instruction and departmental research declined. These changes were especially pronounced for the Liberal Arts Colleges II. Moreover, this group of institutions re-entered the deficit column in 1973-74.

5. Assets, Liabilities, and Net Worth: Over the period 1969-70 through 1973-74 the financial position of the private sector, as reflected in their balance sheets, held fairly steady. Assets and net worth grew by 26 and 27 percent respectively, but did not keep pace with inflation of 24 percent combined with enrollment growth of 7 percent. The growth in assets, however, may be less than these figures indicate because assets acquired some years ago were recorded on the books at values well below present levels. Assets grew faster than liabilities and the various ratios of assets to liabilities improved. There were weak spots in the balance sheet, however: a significant increase among the liberal arts colleges in interfund borrowing and in current and other liabilities, and a decline in the current ratio for all groups of institutions in 1974. Overall, the balance sheet data suggest neither significant financial progress nor catastrophic slippage. They do indicate a slow tightening of the financial situation especially among the liberal arts colleges.

6. Student Housing and Dining: The occupancy rate of student housing facilities has been fairly stable over the years since 1969-70. The rate declined slightly with changes in the student style of life and then slowly recovered, but has not yet reached the 1969-70 level. The occupancy rates for the Comprehensive Universities and Colleges and the Liberal Arts Colleges II have been consistently lower than those for other groups of institutions. In the case of the Liberal Arts Colleges II this may reflect the significant drop in their enrollments; in the case of the comprehensive institutions, which did not lose enrollment, it probably reflects dormitory construction in anticipation of enrollment growth that did not materialize.

7. Attitudes about Present Condition and Future Outlook: The responses from the colleges and universities participating in this study involved the presidents, chief academic officers, chief business officers,

directors of admissions, chief financial aid officers, and housing officers. From these responses taken collectively, the impression was conveyed that the institutions are realistically facing their problems and are making progress in surmounting them. Collectively they are not slipping badly either financially or academically, and are planning for the future with determination and cautious confidence. Few responses suggested imminent disaster. For example, only 2 of the 89 responding presidents thought their institutions were losing ground academically and only 4 thought their institutions were slipping in quality of student services. Only 8 expressed the expectation that deterioration in the general position of their institutions would occur in the next 5 years. However, 19 of the 89 responding presidents thought their institutions were losing ground financially. Most of the pessimism, but not all, was concentrated among the Liberal Arts Colleges II. These results must be interpreted with caution. Yet the nuances of the responses on many questions--combined with the objective data on enrollments and finances--lead to the conclusion that the private sector as a whole is a long way from the throes of death.

8. Comparisons with the Public Sector: Appendix A of this report contains considerable data from published sources comparing trends in the private and public sectors. These data indicate that in recent years, the private sector has not kept pace with the public sector with respect to enrollments, gift income, and faculty and administrative salaries. Also, as these data show, the tuition gap has widened. On the other hand, private institutions on the average are able to spend more dollars per student than the public institutions. This latter fact may have implications regarding educational quality as well as educational efficiency.

9. Analysis of Individual Institutions: As would be expected, analysis of the condition of the individual institutions revealed wide differences. Some are making extraordinary progress and some are in desperate trouble. As part of the study, the record of each participating institution was examined especially with respect to enrollment, current revenues and expenditures, assets and liabilities, and self-assessment of condition. An effort was made to identify institutions that may be in financial distress. In our best judgment, about 27 percent of the institutions in the sample, and by inference 27 percent of all private institutions, are in a condition that could be described as serious trouble. This judgment is based on such factors as declining enrollment, declining selectivity of students, failure of revenues to keep pace with inflation, deterioration of various ratios of assets to liabilities, etc. This is by no means a negligible percentage. However, at any given time in the past, some private institutions have been in distress and there have been periods when distress was widespread. It is not known to what degree the present situation is "normal" or "exceptional." Moreover, it is possible that some or many of the institutions now apparently in trouble will achieve a turnaround.

Interpretation

This study does not confirm the frequently asserted opinion that most private colleges and universities are essentially defunct and on their way to oblivion. Neither does it confirm the proposition, sometimes but less frequently asserted, that they are enjoying prosperity. The truth lies somewhere between these two extremes.

On the one hand, for the private sector as a whole, enrollments have been maintained. Apparently, a substantial demand for private higher education exists at tuitions far above those charged by the much larger public sector. Also, overall, the financial position of the private sector has held remarkably steady. Assets and net worth have grown, the various ratios of assets to liabilities have improved, few institutions have experienced chronic operating deficits, and revenues have kept pace with inflation and enrollment growth. The leadership of most institutions have maintained their poise and morale and are cautiously confident about the future. Finally, most institutions have not been forced by financial stringency into drastic retrenchment though most have experienced tight budgets and possibly a slow erosion of financial and educational strength.

On the other hand, the competition for students has intensified and the task of maintaining enrollments has become more onerous each year. And about one-fourth of the institutions, concentrated mostly among the Comprehensive Universities and Colleges and Liberal Arts Colleges II appear to be in distress--though we are by no means predicting the demise of all of these institutions. Changes in internal management and policy or changes in external conditions such as new forms of public aid could alter their situation.

When the fortunes of higher education changed in the late 1960s and when many institutions were experiencing deficits while adjusting to new and less expansive conditions, dire predictions were made about the future of the private sector. Partly because of these predictions, the institutions quickly set about putting their houses in order. Five or six years have elapsed since the onset of depressed conditions. During that time, no major private institutions have failed and most private colleges and universities are still solvent even though not highly prosperous. This achievement occurred despite adverse reactions of donors to student unrest, despite depression in the economy and in the stock market, despite galloping inflation, despite a widening of the public-private tuition gap, despite the growing competition of new and expanded public institutions, despite demographic changes, and despite the constant and possibly self-fulfilling allegation that most private institutions would soon be defunct.

Some of the credit for the staying power of the private sector goes to the state and federal governments which have helped through student aid programs and in other ways. Some of the credit goes to improved management of the private institutions. Some of the credit is due the trustees, donors, and faculties who have been steadfast in their efforts on behalf of their particular institutions.

One of the themes that recurs throughout this study is that the private colleges and universities have enormous staying power. They are still a viable and sturdy part of the American system of higher education. The disaster that has been so widely predicted has not yet befallen most private institutions. Yet the present situation is far from secure and the future is in doubt.

One major issue concerning the condition of the private sector we have not adequately considered. This is the question of whether, in the struggle for survival, the basic integrity of private colleges and universities is threatened. With the growing intensity of competition for students and funds, are they being forced to respond to market forces in ways that impair their distinctiveness, their academic excellence, their concern for human scale and individual personality, their commitment to liberal learning, their role as a sanctuary of academic freedom, their position as standard-setters? It would be a hollow victory if the private sector were to survive and even prosper financially at the expense of giving up the characteristics that make their survival important. Perhaps in future years, our study may yield some information on what might be described as spiritual progress of the private sector as distinguished from financial progress.

In this study we do not attempt to forecast the future. We have limited ourselves to reporting as objectively as possible on recent trends and current conditions among private colleges and universities. We plan to repeat the study annually so that timely information will be regularly available to provide early warnings about significant changes in the position of the private sector of American higher education.

APPENDIX A

APPENDIX A

COMPARATIVE TRENDS FOR PRIVATE AND PUBLIC HIGHER EDUCATION

The purpose of this appendix is to provide perspective on private higher education by comparing trends in the private sector with those in the public sector. Comparative data derived from published sources are presented on enrollments, income, expenditures, and cost per student. It should be noted that most of the statistics presented in this appendix refer to all institutions, not merely those included in the present study.

Enrollments

As shown in table 40, from 1900 to 1950 enrollments of public and private four-year institutions were roughly equal and grew at about the same rate. From 1950 on, the two sectors diverged sharply in rate of enrollment growth. From 1950 to 1970, enrollments in private four-year colleges and universities almost doubled, but those in public four-year institutions increased more than four times. From 1970 to 1974, private four-year enrollments grew by only 4 percent while public four-year enrollments increased by 13 percent. Meanwhile, the public two-year colleges took off after 1950 on a phenomenal spurt of expansion. As a result of these differential rates of growth since 1950, private institutions now serve less than a third of the students in four-year programs and less than a fourth of all students (see table 41).

That the rate of growth in the private sector was slower than that in the public sector was due partly to a vigorous policy--adopted by all the states and by the federal government--to expand educational opportunity. It was also due in part to the policy of many private institutions to limit their enrollments in order to maintain the kind of community life that had been traditional in these institutions and also to increase selectivity in the admission of students. The change in the balance of enrollments between the private and public sectors was largely the outcome of conscious policies pursued by government and by the private institutions themselves.

The number of degrees awarded by the private colleges has been relatively greater than their share of enrollment. In 1971-72, they awarded 34 percent of the degrees (table 42) though they served only about 24 percent of all students and 30 percent of students in four-year institutions.

TABLE 40

ENROLLMENT IN INSTITUTIONS OF HIGHER EDUCATION, UNITED STATES, 1900 TO 1974

(000 omitted)

	Private Four-year Institutions	Public Four-year Institutions	Private Two-year Colleges	Public Two-year Colleges	Total Private	Total Public	Grand Total
All Students							
1900	147	91	(1)	(1)	147	91	238
1910	189	166	(1)	(1)	189	166	355
1920	278	312	5	3	283	315	598
1930	549	496	19	37	568	533	1,101
1940	655	689	42	107	698	796	1,494
1950	1,249	1,167	55	188	1,304	1,355	2,659
Degree-credit Students							
1950	1,093	986	50	168	1,142	1,154	2,296
1955	1,137	1,233	43	266	1,180	1,499	2,679
1960	1,414	1,742	60	394	1,474	2,136	3,610
1965	1,810	2,915	105	740	1,916	3,655	5,570
1970	2,010	4,280	110	1,520	2,120	5,800	7,920
1973	2,028	4,700	100	1,879	2,128	6,579	8,707
1974	2,094	4,822	99	2,113	2,193	6,935	9,048

SOURCES: 1900 to 1950, Statistical Abstract of the United States, 1953, p. 125. 1950 to 1973, American Council on Education, A Fact Book on Higher Education, First Issue, 1974, pp. 9-17. Figures for 1974 were estimated by the authors on the basis of data in the Chronicle of Higher Education, December 6, 1974, p. 8. Compare June O'Neill, Resource Use in Higher Education (Berkeley: Carnegie Commission on Higher Education, 1971, p. 10.

TABLE 41

ENROLLMENT IN PRIVATE COLLEGES AND UNIVERSITIES AS A PERCENTAGE OF TOTAL ENROLLMENTS, UNITED STATES, 1900 TO 1974

	All Institutions	All Institutions	All four-year Institutions
	All Students	Degree-credit Students	Degree-credit Students
1900	62%		
1910	53		
1920	47		
1930	52		
1940	47		
1950	49	50%	53%
1955		44	48
1960		41	45
1965		34	38
1970		27	32
1973		24	30
1974		24	30

SOURCE: Computed from data in table 40.

TABLE 42

EARNED DEGREES AWARDED BY PRIVATE COLLEGES AS PERCENTAGES OF ALL EARNED DEGREES AWARDED, 1947-48 THROUGH 1971-72

	Bachelor's Degrees	Master's Degrees	Doctor's Degrees	All Degrees
1947-48	50%	58%	60%	51%
1957-58	46	42	48	45
1967-68	39	36	39	39
1971-72	34	34	35	34

SOURCE: American Council on Education, A Fact Book on Higher Education, Fourth Issue, 1974, p. 194.

The future enrollment of private colleges and universities is in doubt. One must question whether private enrollments can be maintained when the pool of persons of prime college age dips in the 1980s (see table 43). However, the prediction of enrollment--for all of higher education or any sector of it--is hazardous. Despite the drop in the birth rate, the number of persons of prime college age in every year throughout this century will be more than double present enrollments (see table 43). Also, the growing tendency of persons beyond traditional college age to enter or re-enter higher education suggests that the pool of potential students will be large. Enrollments will depend not only on demographic trends but also on such factors as the kinds of educational programs offered, the convenience of these programs as to time and place, tuition rates, financial aid for students, selective service, special opportunities for older students, the level of national income and employment, and many others.

TABLE 43

POPULATION OF AGES 15 TO 24, 1950 - 2000

(in millions)

	Age 15 - 19	Age 20 - 24
1950	10.7	11.7
1960	13.5	11.1
1970	19.3	17.2
1975	20.9	19.4
1980	20.2	21.1
1990	16.7[1]	17.8
2000	18.5[1]	17.5[1]

SOURCE: U.S. Bureau of the Census, Statistical Abstract of the United States, 1973, pp. 6-7.

[1] Lowest of four official projections using various assumptions.

A final word about enrollments. It is often believed that private institutions draw mainly students from upper-income families, whereas public institutions serve lower-income clienteles. As shown in table 44, the distributions of family income in the private and public sectors are not strikingly dissimilar.

TABLE 44

UNDERGRADUATE STUDENTS, BY FAMILY INCOME CLASS, AND TYPE OF INSTITUTION, 1972-73

Institutional Type and Income Level	Private Institutions	Public Institutions
Research Universities		
Under $10,000	20%	28%
$10,000 - $25,000	46	53
$25,000 and over	34	19
	100%	100%
Other Doctoral-Granting Universities		
Under $10,000	33%	34%
$10,000 - $25,000	55	55
$25,000 and over	12	11
	100%	100%
Comprehensive Universities and Colleges		
Under $10,000	31%	43%
$10,000 - $25,000	58	49
$25,000 and over	11	8
	100%	100%
Liberal Arts Colleges		
Under $10,000	30%	25%
$10,000 - $25,000	52	55
$25,000 and over	18	20
	100%	100%

SOURCE: National Commission on the Financing of Postsecondary Education, Financing Postsecondary Education in the United States (Washington: U.S. Government Printing Office, 1973), p. 401.

Income

Table 45 shows the percentage distribution of revenues by sources for both the private and public sectors over selected years since 1929-30. This table includes only income available for educational purposes. Private institutions rely mainly for their educational funds on tuitions, endowment income, and current gifts; whereas public institutions rely mainly on governmental appropriations and grants. The private sector has suffered a steady and rapid decline in the proportion of its income from endowments. This has been due to the fact that endowments have not kept pace with rising expenditures. The difference has been made up partly by

TABLE 45

PERCENTAGE DISTRIBUTIONS OF REVENUES FOR EDUCATIONAL PURPOSES[1] BY SOURCES, PRIVATE AND PUBLIC INSTITUTIONS OF HIGHER EDUCATION, 1929-30 TO 1970-71

	Tuition and Fees	State and Local Government	Federal Government	Income from Endowment	Current Gifts	Total Educational Funds
Private						
1929-30	55%	3%[2]	(3)	30%	11%	100%
1939-40	57	3	1%	25	14	100
1949-50	41	4	29[4]	12	14	100
1959-60	55	3	10	12	20	100
1970-71	59	2	13	9	17	100
Public						
1929-30	16	80[2]	(3)	3	1	100
1939-40	20	62	13	3	2	100
1949-50	12	62	23[4]	1	2	100
1959-60	15	68	12	1	4	100
1970-71	17	68	12	1	3	100

SOURCE: Carnegie Commission on Higher Education, Higher Education: Who Pays? Who Benefits? Who Should Pay? (New York: McGraw-Hill Book Company, 1973), pp. 22-23, 136-61. See also June A. O'Neill, Sources of Funds to Colleges and Universities (Berkeley: Carnegie Commission on Higher Education, 1973).

[1] Income for educational purposes excludes expenditures deemed unrelated to education: sales of services, related activities, student aid income, auxiliary enterprise income, and three-fourths of federal funds for research and service.

[2] Includes revenue from Federal Government.

[3] Amount from Federal Government combined with that from state and local governments.

[4] GI period.

a growing share of income from government and by increases in the share from current gifts. The increasing dependence on current gifts is a source of weakness. Gifts which in another era would have been added to endowment or to physical capital are now required to meet operating expenses. The result is a slowing of the rate of endowment growth as well as a diversion of administrative energy each year into raising the gift money necessary to balance the budget. The proportion from tuitions and fees has also been rising rapidly in the past 20 years, and in recent years has probably reached an all-time high.

A critical factor in the future of the private sector is what has become known as the "tuition gap." Tuitions, and board and room as well, have long been higher on the average in private colleges and universities than in public institutions. This has been an accepted feature of the competitive relationship between the private and public sectors. Presumably the private college has been able to offer something which many of its students (or their parents) believe to be worth an extra price. That something may be a sense of community, concern for individual persons, religious orientation, emphasis on liberal education, exceptional academic excellence, or simply convenience to one's home. The private colleges could not have survived if substantial numbers of students and their families had not been willing to pay the differential.

Tables 46 and 47 provide information on the tuition gap. Table 46 presents data on tuitions and fees and comprehensive fees for a limited number of institutions over a long period of time going back to 1927-28; table 47 provides similar information for all four-year institutions covering the period from 1957-58. As shown in table 46, the private-public ratio of student charges was considerably lower in the period 1927-28 to 1947-48 than it has been since. During the 1950s and 1960s charges in private institutions rose more rapidly than in public institutions, and the ratio increased considerably. However, since 1967-68 (as shown in tables 46 and 47), student charges in both private and public institutions have been rising at about the same rate and the ratios have been fairly constant. Today, the private-public tuition ratios are of the order of 4 or 5 to 1 and the private-public ratios of comprehensive fees 2 or 2.2 to 1.

For the public institutions, these ratios refer to tuitions charged in-state students. A relatively new development is that tuitions for out-of-state students at public universities have been rising much more rapidly than the tuitions for in-state students. This is having the effect of reducing the mobility of students, but also of easing the competitive situation for the private colleges and universities.

People do not pay ratios; they pay dollars. And so the critical gap is the dollar difference in annual outlay between attending a private and a public institution. The dollar difference has grown to about $2,000 on the average--10 to 15 times what it was 50 years ago.

TABLE 46

ANNUAL CHARGES FOR UNDERGRADUATE STUDENTS, SELECTED GROUPS OF INSTITUTIONS, 1927-28 THROUGH 1974-75

	14 Large Private Universities	20 Large Public Universities	Dollar Difference	Ratio Private to Public	14 Medium Sized Private Institutions	12 Medium Sized Public Institutions[1]	Dollar Difference	Ratio Private to Public
Average Tuition and Fees								
1927-28	$ 267	$ 77	$ 190	3.5	$ 206	$ 86	$ 120	2.4
1939-40	332	106	226	3.1	302	129	173	2.3
1947-48	442	130	312	3.4	415	157	258	2.6
1959-60	1,008	248	760	4.0	935	247	688	3.8
1967-68	1,675	363	1,312	4.6	1,685	406	1,279	4.2
1974-75	2,880	643	2,237	4.5	2,613	627	1,986	4.2
Average Comprehensive Fees: Tuitions, Board, and Room								
1927-28	733	405	328	1.8	536	366	170	1.5
1939-40	739	461	278	1.6	629	406	223	1.5
1947-48	1,031	625	406	1.6	903	539	364	1.7
1959-60	1,855	990	865	1.9	1,639	846	793	1.9
1967-68	2,704	1,249	1,455	2.2	2,598	1,160	1,438	2.2
1974-75	4,291	1,874	2,417	2.3	3,841	1,729	2,112	2.2

SOURCE: American Council on Education, A Fact Book on Higher Education, Third Issue, 1974, pp. 155-57.

[1] For residents of the state in which the institution is located.

TABLE 47

ANNUAL STUDENT CHARGES FOR UNDERGRADUATE STUDENTS, BY TYPE OF INSTITUTION, 1957-58 THROUGH 1974-75

	Private Institution	Public[1] Institution	Dollar Difference	Ratio Private to Public
Average Tuitions and Fees:				
Universities				
1957-58	$ 798	$ 205	$ 593	3.9
1963-64	1,216	281	935	4.3
1968-69	1,638	377	1,261	4.3
1973-74	2,552	634	1,918	4.0
1974-75	2,781	691	2,090	4.0
Other Four-Year Institutions				
1957-58	611	130	481	4.7
1963-64	935	215	720	4.3
1968-69	1,335	281	1,054	4.8
1973-74	2,079	420	1,659	5.0
1974-75	2,266	458	1,808	4.9
Average Comprehensive Fees: (tuitions, board and room)				
Universities				
1957-58	1,520	814	706	1.9
1963-64	2,105	1,026	1,079	2.1
1968-69	2,673	1,245	1,428	2.1
1973-74	3,972	1,841	2,131	2.2
1974-75	4,328	2,115	2,213	2.0
Other Four-Year Institutions				
1957-58	1,264	670	594	1.9
1963-64	1,700	846	854	2.0
1968-69	2,237	1,063	1,174	2.1
1973-74	3,254	1,472	1,782	2.2
1974-75	3,547	1,604	1,943	2.2

SOURCES: U.S. Department of Health, Education and Welfare, *Projections of Educational Statistics* (Washington: U.S. Government Printing Office, 1968), pp. 98-99 and 1974 edition, pp. 108-9. U.S. Department of Health, Education and Welfare, *Digest of Educational Statistics* (Washington: U.S. Government Printing Office, 1974), p. 113.

[1] For residents of the state in which the institution is located.

One way to appraise the effect on families of current student charges is to compare these charges with disposable income per capita (see table 48). From the upper half of this table, one observes that tuitions in both the public and private sectors have been rising more rapidly than per capita disposable income. The lower half of the table suggests that comprehensive fees (including tuition, board, and room) as a percentage of per capita disposable income have been rising slowly in the private sector and have been declining slowly in the public sector.

TABLE 48

STUDENT CHARGES AS PERCENTAGES OF PER CAPITA DISPOSABLE INCOME, BY TYPE OF INSTITUTION, 1927-28 THROUGH 1974-75

	Private Universities	Public Universities	Other Private Four-Year Institutions	Other Public Four-Year Institutions
Average Tuitions and Fees as percentage of per capita disposable income:				
1957-58	44%	11%	33%	7%
1963-64	53	12	41	9
1968-69	52	12	43	9
1973-74	55	14	45	9
1974-75[1]	56	14	46	9
Average Comprehensive Fees (tuitions, board and room) as percentage of per capita disposable income:				
1957-58	83%	44%	69%	37%
1963-64	92	45	74	37
1968-69	85	40	71	34
1973-74	86	40	70	32
1974-75[1]	87	43	72	32

SOURCE: Disposable income per capita from Economic Report of the President, 1975, p. 269. Student charges from table 5.

[1] Disposable income per capita estimated.

Tables 49 and 50 review two ingredients of the financial situation of private colleges and universities, namely, endowment and private gifts. Over the period 1966-67 to 1973-74, total current expenditures of private higher education increased by 91 percent while private gifts increased by 33 percent and endowment funds increased by 34 percent at book value (9 percent at market value). It is clear that neither gifts nor endowment funds have been keeping pace with rising costs.

TABLE 49

ENDOWMENT FUNDS OF COLLEGES AND UNIVERSITIES

(Dollar Figures in Billions)

	Book Value	Market Value
1966-67	$ 8.2	$ 9.9
1967-68	8.7	10.6
1968-69	9.4	10.5
1969-70	9.7	9.2
1970-71	9.4	11.3
1971-72	11.0	13.0
1972-73	10.9	12.6
1973-74	11.0	10.8

SOURCE: Council for Financial Aid to Education, Voluntary Support of Education, 1973-74 edition, p. 60.

TABLE 50

PRIVATE GIFTS TO HIGHER EDUCATION,[1] 1962-63 THROUGH 1973-74

(Dollar Figures in Millions)

	To Private Institutions	To Public Institutions	Total	Percentage to Private Institutions
1964-65	$ 1,050	$ 195	$ 1,245	84%
1965-66	987	243	1,230	80
1966-67	1,026	244	1,270	81
1967-68	1,130	242	1,372	82
1968-69	1,191	270	1,461	81
1969-70	1,180	292	1,472	80
1970-71	1,178	326	1,504	78
1971-72	1,291	356	1,647	78
1972-73	1,368	383	1,751	78
1973-74	1,361	386	1,747	78

SOURCE: Council for Financial Aid to Education, Voluntary Support of Education, 1973-74 edition, p. 65.

[1] Includes gifts for current operations, capital, and endowment.

Expenditures

Turning now to expenditures, tables 51 and 52 compare the amount and allocation of expenditures for private and public institutions in a recent year. The patterns of expenditures are on the whole quite similar for the two sectors. The most striking difference is that the private institutions spend on the average a relatively higher percentage for general administration and general expense than the public institutions, and this difference becomes greater as one moves down from the more research-oriented universities to the smaller and less ramified institutions. In the case of the four-year liberal arts colleges and the two-year colleges, expenditure for administration and general expense is of the order of one-third of all educational and general expenditures.

This fact perhaps requires additional explanation. The category "general administrative and general expense" includes administration, fund-raising, business and financial management, legal services, admissions, student services, fringe benefits of faculty and staff, and a host of miscellaneous expenses. These costs are undoubtedly higher in the private sector than in the public sector, and they are relatively higher in small institutions than in large institutions. One of the prices paid for a personalized education in a small institution is high costs for general administration and general expense. In interpreting these differences between the private and public sectors, it must be remembered that some of the costs borne by private institutions, especially for fund-raising, are borne by the states in the case of public institutions.

Cost per Student

Overall, the private sector spends more per student (full-time equivalent) than the public sector as shown in the following figures for 1971-72:[1]

	Private	Public
Total educational and general expenditures per student	$ 3,532	$ 2,435
Expenditures for instruction and departmental research per student	1,383	1,128

The difference in cost per student can be interpreted to mean either that private institutions are less efficient than their public counterparts or that they provide education of higher quality. If the extra expenditure reflects higher quality, it may have some bearing on the capacity of private institutions to attract students despite a widening tuition gap. If the extra expenditure reflects lower efficiency, it may have some bearing on the capacity of private institutions to survive.

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[1] Computed from data in table 51.

TABLE 51

AMOUNT AND PERCENTAGE DISTRIBUTION OF EDUCATIONAL EXPENDITURES, PRIVATE AND PUBLIC COLLEGES AND UNIVERSITIES, 1971-72

(Dollar Figures in Millions)

	Private		Public	
	Amount	Percent	Amount	Percent
Educational and General Expenditures:				
General administration and general expense	$ 1,316	15%	$ 2,028	12%
Instruction and departmental research	2,465	27	5,978	36
Libraries	266	3	499	3
Plant operation and maintenance	643	7	1,284	8
Other[1]	1,603	18	3,117	19
Sub-total	$ 6,294	69%	$ 12,907	78%
Other Expenditures:				
Auxiliary enterprises	1,266	14	1,912	12
Student aid grants	620	7	621	4
Hospitals and other major service programs	895	10	1,044	6
Sub-total	$ 2,781	31%	$ 3,577	22%
Grand total	$ 9,075	100%	$ 16,484	100%

SOURCE: U.S. Department of Health, Education, and Welfare, Digest of Educational Statistics (Washington: U.S. Government Printing Office, 1975), p. 114.

[1] Includes extension, public service programs, sponsored research, sponsored activities other than research, and related organized activities.

TABLE 52

PERCENTAGE DISTRIBUTION OF EDUCATIONAL AND GENERAL EXPENDITURES, BY TYPE OF INSTITUTION,[1] 1974-75

		General Administration and General Expense[2]	Instruction and Departmental Research	Libraries	Plant Operation and Maintenance	Other[3]	Total
Research Universities I	Private	10%	33%	4%	8%	45%	100%
	Public	11	38	3	8	40	100
Research Universities II	Private	19	41	4	10	26	100
	Public	13	42	4	9	32	100
Doctoral-Granting Universities I	Private	20	46	4	9	21	100
	Public	15	46	4	10	25	100
Doctoral-Granting Universities II	Private	22	54	5	11	8	100
	Public	15	55	5	13	12	100
Comprehensive Universities and Colleges I	Private	20	42	4	10	24	100
	Public	17	55	5	12	11	100
Comprehensive Universities and Colleges II	Private	32	47	5	11	5	100
	Public	18	55	6	14	7	100
Liberal Arts Colleges I	Private	31	44	5	14	6	100
	Public	--	--	-	--	--	--
Liberal Arts Colleges II	Private	32	45	5	13	5	100
	Public	--	--	-	--	--	--
Two-year Institutions:	Private	37	36	4	16	6	100
	Public	22	57	4	12	5	100

SOURCE: Special tabulation of HEGIS data kindly made available by the National Center for Educational Statistics, HEW.

[1] The types of institutions are defined according to the standard classification of the Carnegie Commission on Higher Education. A Classification of Institutions of Higher Education (Berkeley: Carnegie Commission, 1973)

[2] General and Administrative Expense includes general administration, business and financial management, legal services, fund-raising, admissions, student services, fringe benefits of faculty and staff, and a host of miscellaneous expenses chargeable to the general operation of the institution.

[3] Other includes organized activities related to educational departments, sponsored programs, and extension ond public service. These programs are usually financed with designated funds.

Another source of information about comparative unit costs is a study made several years ago by June O'Neill under the sponsorship of the Carnegie Commission on Higher Education (see table 53). She carefully adjusted expenditure figures to include only those costs properly assigned to instruction and to remove the effect of changes in the relative weights of graduate students and two-year college students. The results suggest that the costs of the two sectors per credit hour of instruction were about equal in 1953-54 and that they diverged considerably thereafter. By 1966-67 the cost per credit hour in the private sector was considerably greater than that in the public sector.

One factor possibly explaining the cost differences between the two sectors is that private institutions are on the average much smaller than public institutions--designedly so. With the enormous growth of public institutions in the last twenty years, the difference has become greater. Table 54 compares the average size of private and public institutions of various types. In general, private colleges and universities are less than half the size of comparable public institutions.

Perhaps a more important explanation of the cost differences is that the private colleges used the prosperity of the 1960s to upgrade quality. As a result, at the end of a period of prosperity they were subject to higher costs than the public institutions. One of their present concerns is to protect the hard-won gains.

One factor in higher cost is faculty-student ratios which on the average are considerably higher in private institutions than in public institutions. Another ingredient of cost is faculty and staff compensation. As shown in table 55, average faculty compensation for the entire private sector is lower than that in the public sector. However, compensation levels vary among different categories of institutions. In the private independent institutions it tends to be considerably higher than in the private church-related institutions. Also, as shown in table 56, the median salaries of administrators tends to be lower in private than in public institutions.

Table 57 shows comparative trends in faculty compensation between the private and public sectors. In the case of the universities, the private sector held its own until 1974-75 and then slipped badly in a comparative sense. For the second group (colleges awarding some advanced degrees), the slippage began in 1972-73, and for the third group it began in 1971-72. Because the maintenance of the strongest possible faculty is a high priority in every institution, the inability of the private sector to keep pace with the public institutions is an indication of financial strain. Also, as shown in table 57, faculty compensation in the private sector as a whole fell behind both price inflation as measured by the consumer price index and the general level of wages as measured by average weekly earnings in private non-agricultural employment.

TABLE 53

INSTRUCTIONAL COST PER CREDIT HOUR, BY TYPE OF INSTITUTION, 1953-54 THROUGH 1966-67

	Universities		Other Four-Year Institutions	
	Private	Public	Private	Public
1953-54	$ 23	$ 24	$ 23	$ 23
1955-56	24	24	24	22
1957-58	28	26	27	25
1959-60	30	29	29	27
1961-62	35	30	32	26
1963-64	39	32	36	29
1965-66	42	33	38	29
1966-67	44	35	41	32

SOURCE: June O'Neill, Resource Use in Higher Education (Berkeley: Carnegie Commission on Higher Education, 1971), p. 101. These data are adjusted to include only costs properly assigned to instruction and are adjusted for changes in the mix of students.

TABLE 54

AVERAGE ENROLLMENTS OF PUBLIC AND PRIVATE INSTITUTIONS, BY TYPE OF INSTITUTION, 1970

	Private	Public
Research Universities I	11,559	28,200
Research Universities II	8,615	18,478
Doctoral-Granting Universities I	11,600	12,385
Doctoral-Granting Universities II	7,118	14,524
Comprehensive Institutions I	4,420	7,471
Comprehensive Institutions II	1,904	3,678
Liberal Arts Colleges I	1,250	2,950
Liberal Arts Colleges II	854	1,254
Two-year Institutions	523	2,750
Specialized Institutions	505	1,664
All Institutions	1,420	4,836

SOURCE: Carnegie Commission on Higher Education, A Classification of Higher Education (Berkeley: Carnegie Commission on Higher Education, 1973), pp. 6-7.

TABLE 55

AVERAGE FACULTY COMPENSATION (INCLUDING SALARIES AND FRINGE BENEFITS), BY TYPE OF INSTITUTION, 1973-74 AND 1974-75

	1973-74	1974-75
Universities[1]		
Public	$ 17,463	$ 18,650
Private Independent	21,001	22,210
Private Church-Related	17,251	18,430
College I[2]		
Public	17,065	18,790
Private Independent	16,560	17,940
Private Church-Related	15,110	16,220
College II[3]		
Public	14,910	15,830
Private Independent	15,750	16,710
Private Church-Related	14,010	14,810
All Institutions		
Public	--	15,552
Private	--	14,590

SOURCES: AAUP Bulletin, Summer 1974, p. 174; Chronicle of Higher Education, February 10, 1975, p. 1; June 9, 1975, p. 10.

[1] Institutions awarding at least 15 earned doctorates per year in at least three non-related disciplines.

[2] Institutions awarding degrees above the bachelor's degree but not qualifying as "universities."

[3] Institutions awarding only the bachelor's degree or equivalent.

TABLE 56

MEDIAN ADMINISTRATIVE SALARIES, PRIVATE AND PUBLIC INSTITUTIONS, 1967-68 THROUGH 1973-74

	1967-68		1971-72		1973-74	
	Private	Public	Private	Public	Private	Public
President	$ 23,000	$ 26,000	$ 27,000	$ 29,500	$ 30,576	$ 32,000
Chief Academic Officer	17,300	20,904	20,000	23,825	22,625	26,000
Registrar	9,600	13,400	11,900	15,492	13,153	17,000
Director of Admissions	11,000	13,200	13,300	15,920	15,000	17,500
Head Librarian	11,000	15,000	12,769	17,015	14,559	18,627
Chief Business Officer	15,400	17,000	18,000	20,700	20,772	22,953
Director, Physical Plant	10,000	13,200	12,250	15,348	13,650	17,150
Chief Development Officer	15,500	15,700	18,000	19,212	19,667	21,200
Chief Student Personnel Officer	12,565	17,000	15,000	20,214	16,000	21,730

SOURCE: American Council on Education, A Fact Book of Higher Education, Third Issue, 1974, pp. 152-53.

TABLE 57

PERCENTAGE CHANGES IN FACULTY COMPENSATION,[1] ALL ACADEMIC RANKS, BY TYPE OF INSTITUTION, 1969-70 THROUGH 1974-75

		1970-71 from 1969-70	1971-72 from 1970-71	1972-73 from 1971-72	1973-74 from 1972-73	1974-75 from 1973-74	1974-75 from 1969-70
Universities[2]	Public	5.7%	4.3%	4.9%	5.3%	12.5%	+ 37%
	Private independent	6.3	4.3	4.2	5.6	5.8	+ 29
	Private church-related	7.3	4.4	5.8	4.9	6.8	+ 33
Colleges Awarding Some Advanced Degrees	Public	5.5	3.9	5.6	7.1	10.1	+ 36
	Private independent	8.7	4.9	4.9	4.9	8.3	+ 36
	Private church-related	7.5	4.7	5.2	5.3	7.3	+ 34
Colleges Awarding Bachelor's Degrees	Public	6.6	5.7	4.8	5.8	6.2	+ 33
	Private independent	6.4	4.4	4.2	4.6	6.1	+ 28
	Private church-related	7.3	4.1	4.7	4.5	5.7	+ 29
Percentage Change in Consumer Price Index		5.1	3.8	4.8	7.5	11.1	+ 38
Percentage Change in Average Weekly Earnings, Private Non-agricultural Employment[3]		5.5	6.7	6.9	6.5	6.6[4]	+ 36

SOURCES: AAUP Bulletin, Summer 1971, p. 226; Summer 1972, p. 182; Summer 1973, p. 192; Summer 1974, p. 176; Chronicle of Higher Education, June 9, 1975, p. 10.

[1] Includes salaries and fringe benefits.

[2] Institutions awarding at least 15 earned doctorates per year in at least 3 non-related disciplines.

[3] Economic Report of the President, 1975, p. 285.

[4] Estimated.

APPENDIX B

APPENDIX B

MORTALITY AMONG PRIVATE COLLEGES

Table 58 presents a list of the private four-year institutions which have closed, merged, or "become public" since January 1, 1970. The table may be summarized as follows:

	Accredited	Unaccredited	Total
Number closed	16	12	28
Number merged	7	1	8
Number becoming public	5	-	5
	28	13	41

The above figures apply only to four-year institutions. The mortality rate has been considerably higher among the two-year private colleges.

Most of the four-year institutions that have disappeared as separate entities were extremely small and obscure. Many were new institutions that had never taken root. It may be said emphatically that there have as yet been no Penn Centrals in higher education. It may also be said that in the course of American history hundreds of small struggling colleges have disappeared. One of the results of the free enterprise system in higher education is that not every venture will succeed, and that failure is sometimes a concomitant of independence and innovation. The main stream of private higher education is far from defunct. Reports of the demise of the private sector are, like Mark Twain's death, greatly exaggerated. However, as this report indicates, there are signs of strain, and there are no guarantees against future casualties.

TABLE 58

FOUR-YEAR PRIVATE COLLEGES WHICH HAVE CLOSED, MERGED, OR BECOME PUBLIC, 1970-75
(Numbers after each name refer to enrollment)

Closed	Merged	Became Public Institutions
	ACCREDITED INSTITUTIONS	
Brentwood College, N.Y. (149)	Atlantic Baptist College, Ga. (320)	College of Charleston, S. C. (482)
Cardinal Cushing College, Mass. (390)	Church College of Hawaii (1,307)	
College of Emporia, Kans. (510)	Marymount College, Ca. (1,161)	Lander College, S. C. (986)
College of Racine, Wisc. (817)	Mauna Olu College, Ha. (234)	
Dunbarton College, D.C. (345)	Mount St. Agnes College, Md. (315)	Lincoln University, Penn. (1,027)
Dominican College, Tex. (265)	Newton College, Mass. (1,002)	
Marylhurst College, Ore. (433)	Western College, Ohio (345)	University of Baltimore, Md. (5,026)
Mary Manse College, Ohio (550)		
Notre Dame College of Staten Is.,N.Y. (436)		University of Corpus Christi, Tex. (560)
Packer Collegiate Institute, N.Y. (75)		
Parsons College, Iowa (1,270)		
Prescott College, Ariz. (450)		
St. John College of Cleveland, Ohio (670)		
St. Josephs College, Md. (403)		
Stratford College, Va. (467)		
Tolentine College, Ill. (103)		
	UNACCREDITED INSTITUTIONS	
Belknap College, N. H. (411)		
Canaan College, N. H. (92)	Mount St. Paul College, Wis. (218)	
College of Notre Dame, Conn. (118)		
Dag Hammarskjold College, Md. (47)		
Hiram Scott College, Neb. (1,600)		
Lea College, Minn. (367)		
Mackinac College, Mich. (311)		
Midwestern College, Iowa (800)		
Mt. Angel College, Ore. (280)		
Mt. St. Joseph College, R. I. (125)		
St. Dominic College, Ill. (212)		
Tahoe College, Cal. (253)		

SOURCE: National Council of Independent Colleges and Universities.

APPENDIX C

APPENDIX C

THE COMPARATIVE PERFORMANCE INDICATOR

An application of the z score to measuring the comparative performance of institutions of higher education.

W. John Minter

Comparing the performance of a college or university with a group of similar institutions is a common and widely used method of judging institutional progress. The usual procedure is to compare the change of particular items from one year to the next as a percentage increase or decrease. Another common procedure is to select a base year, calculate an index for each succeeding year and compare the differences in index numbers. Both methods were used in reporting group trends in the Association of American Colleges (AAC) study of financial and educational trends in private higher education.

In most cases such comparisons have been limited to numbers reflecting changes within the institution. What is lacking in these statistics is an immediate indication of the institution's performance relative to the industry or any other external comparison group. Without a separate calculation, the institution's performance in maintaining pace with the group cannot be determined.

A more useful indicator would be one that reveals at once the institution's relative position in the distribution of all members of the group and the institution's performance. Such an indicator was introduced to the field of psychological testing in 1922 by Clark Hull of the University of Wisconsin.[1] The problem to be solved was the comparison of individual performance on tests with different scales and the performance of two individuals in different comparison groups. By converting raw scores from the original scale to standard scores on a standard scale the comparisons could be made accurately with ease. The statistic is also widely used in the social sciences to standardize the scale of institutional variables for direct comparison.

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[1] Clark L. Hull, "The Conversion of Test Scores into Series which Shall Have Any Assigned Mean and Degree of Dispersion," J. Applied Psychology 6 (1922): 298-300. For a detailed discussion of the z score in contemporary statistics see Paul R. Lohnes and William W. Cooley, Introduction to Statistical Procedures (New York: John Wiley & Sons, Inc., 1968), p. 43 ff.

The statistic is the z score. The z score is the ratio of a deviation score to the standard deviation of the variable for the group:

$$z = \frac{(x - \bar{x})}{s_x}$$

The result of calculating the z score for each institution in a group for any variable is a series of scores on a standard scale with mean 0 and standard deviation 1, range -.99 to .99. The transformation of the original values to the new scale is linear, which means that the new values possess all of the characteristics of the original values. The z score can be manipulated mathematically to perform any additional analysis that the user might desire, only now all variables are on a standard scale. The new values may be compared directly or in combination as illustrated below.

To make the scores more readily understood by the average user, the z score is frequently converted to a standard scale of 0 to 100 with mean 50 and standard deviation 10. This is accomplished by first multiplying a z score by the standard deviation of the new standard scale (10) and adding the mean of the new standard scale (50). The result, commonly known as the Standard Score, is used widely in testing programs. Any factor may be used; e.g., a national testing service uses a standard scale with mean 500 and standard deviation 100.

The same procedure has been used in developing the Comparative Performance Indicator (CPI). The formula for deriving the CPI is as follows:

$$(\frac{x - \bar{x}}{s_x})\ 50 + 50$$

where x is the value of the institutional variable
$\bar{x}$ is the average value of the variable for the comparison group
s_x is the standard deviation of the variable for the comparison group
50 is the standard deviation of the CPI scale
50 is the mean of the CPI scale

Using a standard deviation of 50 rather than 10 provides a greater spread of cases along the lower intervals of the new standard scale. The CPI scale ranges from 0 to 300. Table 59 shows the indicator for Total Current Fund Revenue for 10 private colleges selected from a comparison group of 100 institutions. Because the average and the standard deviation for CPI distribution are both constant, we can tell immediately where the performance of each institution falls in the standard distribution of the comparison group. In this example, HAF is well above, MUK is near, and NYQ is well below the group average.

TABLE 59

COMPARATIVE PERFORMANCE INDICATOR, TOTAL CURRENT FUND REVENUES, 1974

($\bar{x} = 50$, sd = 50)

Institution	Current Dollars 1974	Comparative Performance Indicator 1974
HAF	$ 45,944,000	184
HAK	36,501,000	148
JEG	41,684,000	168
JEL	25,317,000	104
MUK	19,047,000	80
LON	7,089,000	34
NYL	6,805,000	33
LOJ	6,770,000	33
MIP	3,574,000	20
NYQ	2,799,000	17

Comparison group, a stratified random sample of 100 private four-year colleges and universities.

Institutional position in the group distribution is important information, but more significant is any change in position from one time period to the next. The CPI provides a quick and accurate comparison of institutions in the group between time periods. If an institution has the same CPI value in the second time period, it has kept pace with the group. A smaller CPI value reveals that the institution has not kept up with its comparison group even though it may have experienced an increase in the variable being measured.

Table 60 shows the same institutions in two time periods. All except one show a percentage increase in revenues over the time period. Colleges HAK, JEG, JEL, MUK, MIP, NYL, and NYQ, however, show a decline in their CPI which means their performance did not equal the average performance of the comparison group.

TABLE 60

COMPARATIVE PERFORMANCE, TOTAL CURRENT FUNDS REVENUE PROGRESS, 1971 TO 1974

($\bar{x} = 50$, sd = 50)

Institution	CP Indicator 71	CP Indicator 74	Progress 71 to 74	Dollar Percent Change 71 to 74
HAF	177	184	7	29
HAK	157	148	- 9	8
JEG	182	168	-14	14
JEL	105	104	- 1	24
MUK	83	80	- 3	20
LON	34	34	0	24
NYL	39	33	- 6	2
LOJ	33	33	0	25
MIP	24	20	- 4	- 2
NYQ	18	17	- 1	15

Comparison group, a stratified random sample of 100 private four-year colleges and universities.

The CPI also affords direct and easy comparison between different variables for the same institution or group of institutions regardless of the original units of measure. Table 61 shows a comparison of relative progress in three important areas: current fund revenue (originally in dollars), enrollment (originally in FTE), and a ratio of total fund balances to total liabilities. HAF progress has been positive in all three areas. LOJ, LON, MUK, NYQ show mixed progress, and JEG, NYL, MIP are falling behind the comparison group in all three measures.

Some indicators are more essential than others in measuring the performance of an institution. The CPI, because its values retain all the numerical characteristics of the original values, lends itself readily to weighting and summing. Table 62 lists several variables, each given a weight for summing to a single composite indicator which reveals the cumulative impact of performance on each measure. Different analyses require different patterns of emphasis, of course. The weights are simply changed for the new calculation. As shown in table 62, the comparative performance of four institutions on these five measures indicates they are either experiencing financial difficulty or headed for trouble. The two institutions at the low end of the distribution may be in the most precarious position because they have fewer resources from which to draw.

TABLE 61

COMPARATIVE PERFORMANCE INDICATOR, THREE SELECTED MEASURES OF INSTITUTIONAL CHARACTERISTICS

($\bar{x}$ = 50, sd = 50)

Institution	Current Fund Revenue 71	Current Fund Revenue 74	FTE Enrollment 71	FTE Enrollment 74	Total Fund Balances to Liabilities Ratio 71	Total Fund Balances to Liabilities Ratio 74
HAF	177	184	79	83	121	99
HAK	157	148	158	140	29	32
JEG	182	168	258	252	38	35
JEL	105	104	165	155	29	26
MUK	83	80	52	53	55	50
LON	34	34	25	28	27	25
NYL	39	33	40	36	34	26
LOJ	33	33	17	17	55	76
MIP	24	20	11	8	148	93
NYQ	18	17	12	13	50	63

Comparison group, a stratified random sample of 100 private four-year colleges and universities.

TABLE 62

COMPOSITE COMPARATIVE PERFORMANCE INDICATOR, FIVE WEIGHTED FACTORS*

	Composite Indicator		+
Institution	71	74	−
HAF	120	120	0
HAK	123	115	- 7
JEG	175	166	- 9
JEL	101	102	1
MUK	70	71	1
LON	34	36	2
NYL	34	26	- 8
LOJ	57	57	0
MIP	41	29	-12
NYQ	18	18	0

*Total current fund revenue (.3), total FTE (.35), unrestricted current ratio (.1), total fund balance to liabilities ratio (.1), average faculty compensation (.15).

Comparison group, a stratified random sample of 100 private four-year colleges and universities.

In table 63 we have placed the cumulative CPI beside two indicators of financial strength. If these two ratios are relatively high, a modest downward trend in CPI might be viewed with concern but not alarm. On the other hand, if these ratios are near 1 to 1, any downward trend in CPI will likely cause substantial concern or even alarm.

TABLE 63

COMPOSITE PERFORMANCE INDICATOR, RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES, AND RATIO OF TOTAL ASSETS TO TOTAL LIABILITIES, 1971 TO 1974

Institution	Composite Indicator Change	1974 Current Ratio	1974 Assets to Liabilities Ratio
HAF	0	1.5 : 1	14.5 : 1
HAK	- 7	1.8 : 1	4.2 : 1
JEG	- 9	1.8 : 1	4.7 : 1
JEL	1	1.3 : 1	3.4 : 1
MUK	1	2.1 : 1	7.0 : 1
LON	3	1.6 : 1	3.3 : 1
NYL	- 8	1.9 : 1	3.3 : 1
LOJ	0	8.0 : 1	10.9 : 1
MIP	-12	.68 : 1	13.5 : 1
NYQ	0	.97: 1	3.5 : 1

Comparison group, a stratified random sample of 100 private four-year colleges and universities.

The procedure described above was used in part to determine which institutions in the AAC study showed weakness or strength in their performance on several variables compared to the average performance of the entire sample. The variables used for CPI analysis were:

Total current fund revenue
FTE opening fall enrollment
Unrestricted current asset ratio
Fund balance/liability ratio
Total applications for admission
Average combined SAT scores
Average faculty compensation
Instructional expenditure as a percent of total educational and general expenditure

The Comparative Performance Indicator, an application of the *z* score to the performance of institutions, does reveal clearly the difference in performance relative to a comparison group.